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ABSTRACT

The law establishing Maryland's program of full State funding of public school construction costs became effective as of July 1, 1971. This report describes the beginnings of the program, traces its development, and attempts to appraise its effectiveness. In preparing the report, the author reviewed minutes of the various agencies and committees involved with the program; examined available published materials; elicited information and opinion with respect to the operation of the program from local school and government officials, architects, and contractors; and interviewed members of the Board of Public Works, the Interagency Committee, and other State officials. The material is organized according to (1) educational data on the characteristics of the State and the 24 school districts; (2) the State's philosophy and methods of financing public education up to 1971; (3) statements about the events preceding adoption of legislation and the text of the law as adopted; (4) the development of a structure to administer the law; (5) the present operation of the program; and (6) program evaluation. (Author/MLF)

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Full State Funding of School Construction in Maryland

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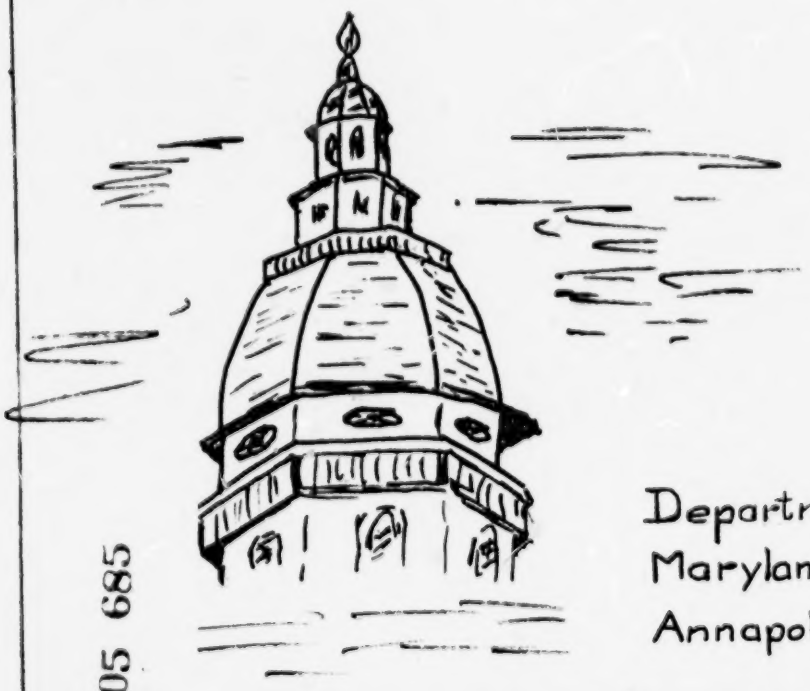
An Appraisal After Two Years



Department of Fiscal Services
Maryland General Assembly
Annapolis, Maryland

EA 005 685

FOREWORD

The law establishing Maryland's program of full State funding of public school construction costs became effective as of July 1, 1971. As of June 30, 1973, this new undertaking had been in operation for two full years and there had been three years of experience in the allocation of State appropriations - fiscal years 1972, 1973, and 1974.

The report submitted herewith describes the beginnings of the program, traces its development, and attempts to appraise its effectiveness up to the present time. It has been undertaken upon requests from the Senate Finance Committee of the Maryland General Assembly and the School Finance Task Force of the United States Office of Education. The necessity of satisfying the interests of two such divergent groups has probably broadened the scope beyond the requirements of either. It is hoped that the effort to satisfy both has not resulted in the satisfaction of neither.

In the preparation of the report, the minutes of the various agencies and committees involved with the program have been reviewed; all available published materials have been examined; information and opinion with respect to the operation of the program have been elicited from local school and government officials, architects, and contractors through use of questionnaires; and members of the Board of Public Works, the Interagency Committee, and other State officials were interviewed. Much of the narrative account relies upon the writer's forty-three year association with government in Maryland, thirty-three years of which were in the field of education. The influence of this experience will, doubtless, be discernible in opinions expressed and conclusions drawn here and there throughout the report, but such reflections should be readily distinguishable from findings based upon substantial evidence.

The generous assistance and cooperation of numerous people must be acknowledged. First mentioned must be Mrs. Anne K. Carroll, Administrative Analyst, and Miss Shirley J. Blann, Administrative Assistant, both attached to the office of the Director of the Department. Through their efforts the considerable volume of essential materials was assembled in such form as to be subject to interpretation with minimum effort, and upon receipt of the scribblings from these hands they undertook the complete tedious task of putting the report together. Lieutenant Governor Blair Lee, III supplied his evaluation and, most importantly, assumed the part of expeditor, an essential role in a project involving a large government bureaucracy. Mr. Alford R. Carey, Jr., Executive Director of the Interagency Committee, and his staff made every effort to supply all data requested and made themselves available for explanation and interpretation. Mr. Edward L. Sealover, Administrative Analyst in the Department's Division of Fiscal Research, assembled special information; and material has been utilized from an excellent report prepared by him on the status of the program after one year of operation. Dr. Charles W. Willis, Executive Secretary of the Maryland Association of Boards of Education, turned over his complete file of materials relating to that organization's survey and analysis of the program and he was most helpful in interpreting their viewpoint. Similarly, Mr. Fred H. Spigler, Jr., the Governor's Administrative Officer for Education, who worked with the two executive committees chaired by the Lieutenant

Governor, made available his complete files for review and himself for consultation. The members of the Board of Public Works and the Interagency Committee were generous in time granted for interviews and candid in their evaluations. Nearly all local school superintendents, and substantial numbers of school board members, local government officials, architects, and contractors took the time to give thoughtful responses to questionnaires.

Special recognition is given to the work of Mr. William S. Gosnell, Administrative Analyst in the Department's Division of Budget Review. For the past year, under the supervision of the Division Director, Mr. Lawrence D. Shubnell, he has been conducting a comprehensive study and analysis of the State's debt situation. The information contained herein and the conclusions drawn relating to the impact of State assumption of school construction costs upon overall State debt have been derived from Mr. Gosnell's materials. That report will be available in the near future, and it is strongly recommended to the attention of the General Assembly.

It is acknowledged that the report contains a number of information gaps resulting primarily from the untimely intrusion of extended personal illness. We have attempted to work our way around these through use of the time-tested bureaucratic skill of "bafflegab." The degree of success remains to be seen.

Respectfully submitted,

Paul D. Cooper

PAUL D. COOPER, Director
Department of Fiscal Services
Maryland General Assembly
Annapolis, Maryland
October, 1973

FULL STATE FUNDING OF SCHOOL CONSTRUCTION IN MARYLAND

AN APPRAISAL AFTER TWO YEARS

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CHAPTER I

The Maryland Setting

Complete comprehension of the reasons for and considerations giving rise to Maryland's decision to undertake full State funding of public school construction costs may not be attainable without a full understanding of the unique characteristics of the environment in which it occurred. A number of these significant features are revealed by the following profile of the Maryland Public School System developed from data published in 1973 by the National Education Association (1):

Maryland Profile

	Maryland Data	Rank among 50 States	U.S. Average
1. Total resident population (1972)	4,056,000	17	4,165,000
2. School age population (1972)	1,036,000	17	1,036,000
3. Per cent change in public school enrollment (1963 - 1973)	+38.9%	8	+18.1%
4. Population per square mile (1972)	410	5	59
5. Per cent population urban (1971)	76.4%	15	73.7%
6. Operating school districts (1972-73)	24	3 (2)	333
7. Public school enrollment per district (1972-73)	38,385	2	2,756
8. Per capita personal income (1971)	$4,522	11	$4,156
9. Per cent increase in per capita personal income (1961 - 1971)	84.1%	26	83.5%
10. Personal income per pupil in ADA (1972)	$21,622	9	$20,208
11. Per cent of personal income from government employment (1971)	25.6%	4	13.9%
12. Per cent of households with income of $3,000 or less (1971)	10.8%	5 (2)	15.6%

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(1) Rankings of the States, 1973. National Education Association: Research Report 1973-R1.
Estimates of School Statistics, 1972-73. National Education Association: Research Report 1972-R12.

(2) Ranked from lowest to highest.

13. Per capita general revenue, state and local government, own sources (1970-71)	$624.76	12	$575.89
14. Per cent (13) of personal income (1971)	13.8%	27	13.9%
15. Per capita state and local taxes (1970-71)	$508.17	9	$460.47
16. State and local taxes as per cent of personal income (1971)	11.2%	22	11.1%
17. Per capita state and local property taxes (1970-71)	$166.57	28	$183.51
18. Per capita local property taxes (1970-71)	$158	26	$178
19. State and local property tax as per cent of total taxes (1970-71)	32.8%	32	39.9%
20. Local property tax as per cent of state and local property tax (1970-71)	95.0%	39	97.0%
21. State and local property taxes as per cent of personal income (1971)	3.7%	30	4.4%
22. Per capita state tax revenue (1971)	$288.78	10	$250.79
23. Per capita local tax revenue (1970-71)	$219	14	$211
24. State tax revenue as per cent of personal income (1971)	6.4%	24	6.0%
25. Public school revenue per pupil in ADA (1972-73)	$1,613	3	$1,227
26. Public school revenue (1971-72) as per cent of personal income (1971)	6.5%	7	5.6%
27. Estimated per cent of revenue for public schools from State (1972-73)	47.8%	17	41.0%
28. Local public school revenue as per cent of state and local (1972-73)	48.6%	30	55.5%
29. Per capita total general expenditures state and local (1970-71)	$779.57	13	$730.52
30. Per capita state and local debt outstanding (1970-71)	$897.28	42 (2)	$770.04

31. Total expenditures for public schools per pupil in ADA (1972-73)	$1,596	3	$1,182
32. Total expenditures for capital outlay per pupil in ADA (1972-72)	$365	2	$111
33. Total expenditures for interest on school debt per pupil in ADA (1972-73)	$43	10	$37

The most pertinent characteristics of the State, as set forth in the preceding list, can be briefly stated. While Maryland is relatively small in land area, its total resident population and its school population is almost exactly the same as the average for all of the states. Thus it is densely populated, ranking fifth among the 50 states, with 410 people per square mile as compared with the national average of 59. Seventy-six and four-tenths per cent of its people live in urban areas in relation to a national average of 73.7%.

Of perhaps greatest contextual significance is the fact that Maryland has but twenty-four operating school administrative units, twenty-three counties and Baltimore City. Only two other states have a smaller number - Hawaii with but one and Nevada with seventeen. Consequently, its school districts are relatively large with an average enrollment of 38,385 in sharp contrast with a national average of 2,756. Numbers of administrative units in other states range upward to a high of 1,250 and statewide average school enrollments per unit as low as 262. Problems of administration, communication, and public relations inherent in any major change in government policy must be minimized by conditions such as these.

With regard to wealth with which to support governmental services, as measured by personal income, Maryland is comparatively fortunate. It has the eleventh highest per capita income among the 50 states, $4,522 per capita in 1971, and $21,622 per pupil in ADA; and these figures have been increasing steadily and substantially over a ten-year period. The growth in per capita income was 84.1% between 1961 and 1971. While Maryland's rank of seventeenth in rate of growth appears to be somewhat less favorable than its ranking in per capita wealth, it should be noted that most of the states experiencing higher growth rates are those which have been traditionally very poor. Of the twenty states with highest per capita income, Maryland's rate of growth has been greater than all but three.

On the burden and effort side of the ledger, Maryland's citizens contribute to the cost of state and local government $624.76 per capita, which represents the twelfth largest amount in the nation and is nearly $150 greater than the national average. Of this per capita amount, $508.17 is provided through state and local taxes, which is the ninth highest amount in the nation. However, when this effort is measured against available personal income (taxes as per cent of income), Maryland's ranking drops to twenty-second and its percentage contribution is almost identical with the national average.

In view of the traditional heavy reliance upon property taxes for financing public education generally and school construction in particular, the data regarding property tax burdens are of special interest. Maryland ranks 28th in per capita state and local property taxes, 26th in per capita local property

taxes, 32nd in property taxes as a per cent of all taxes, and 30th in property taxes as a per cent of income. It falls below the national average in all of these measures, as opposed to its relatively high ranking for similar measures of total tax burden. This, of course, reflects Maryland's substantial use of the personal income tax and the fact that its twenty-four subdivisions also impose personal income taxes. In any event, it appears that, in comparison with other states, property taxes in Maryland are relatively low.

Turning to specific expenditures for public education as measured by total revenue per pupil, the data suggest that Maryland's effort is close to being highest in the nation, ranking third among the 50 states with $1,631 per pupil. Even when measured as a percentage of personal income, the ranking is seventh highest in the nation. Of this total revenue the State contributes nearly 48% in contrast to a 41% share for all states. Local governments in Maryland are required to provide a smaller proportion of the cost than in most states as indicated by the ranking of 30th in local percentage of state and local revenues.

Outstanding debt will be of particular interest in connection with State assumption of full responsibility for school construction. In 1970-71, Maryland and its local governments had such debt to the extent of $897.28 per capita whereas the national average was $770.04 per capita. The ranking of 42nd means that only eight states had higher per capita debt. Maryland also ranked second in per pupil expenditures for capital outlay and tenth in per pupil expenditures for debt service. These high rankings probably reflect the fact that the State also experienced the eighth highest rate of enrollment growth.

Comparison of the Twenty-Four School Districts

As previously noted, Maryland has the third smallest number of school districts, twenty-three counties and Baltimore City, among the fifty states. It also has the second highest average enrollment per school district, exceeded only by Hawaii which operates a state system. Nonetheless, there is considerable diversity among these twenty-four units. The table which appears on the following page, "Profile of Maryland's Twenty-Four Public School Administrative Units," should provide a fairly comprehensive picture of the extent to which they differ. Note the considerable range in size - from populations of 905,759 to 16,146, or a ratio of 56 to 1; the great difference in population density - 11,465.3 per square mile to 49.1 per square mile, or a ratio of 233 to 1; the sharp contrast in wealth with which to finance educational programs - $40,960 back of each pupil in the wealthiest subdivision as compared to $14,186 in the poorest; and per pupil operating expenditures of $1,277 per pupil in the wealthiest subdivision as opposed to $897 per pupil in the poorest.

With respect to the spread of total costs for school construction, as might be expected there is no apparent relationship between wealth and burden. Per pupil expenditures in 1972 for debt service ranged from a high of $141.81 to a low of $30.65. Capital outlay expenditures per pupil ranged from $988.90 to $7.04 per pupil. These differences result from such considerations as growth in enrollment, timing of construction projects, past pay-as-you-go policies, etc., none of which necessarily relate to wealth.

TABLE I

PROFILE OF MARYLAND'S TWENTY-FOUR PUBLIC SCHOOL ADMINISTRATIVE UNITS

(1) Subdivision	(2) Population (1970 census)	(3) Population per sq. mi.	(4) Public School Enrollment	(5) No. of Public Schools (9/30/71)	(6) Wealth per pupil (a) 1971-72 Property Assessment	(b) 1971 Taxable Net Income	(c) 1971-72 Education Aid Base	(7) Public School Expenditures per Pupil (a) Operating Costs	(b) Debt Service	(c) Capital Outlay	(8) Per Pupil Nonrevenue Receipts for Sch. Constr. *
Total State	3,922,399	396.6	890,679	1,318	$20,705	$11,034	$26,003	$990.20	$113.27	$167.70	$186.11
Allegany	84,044	196.4	17,001	37	18,801	8,643	20,644	883.71	38.97	31.41	6.92
Anne Arundel	297,539	705.9	73,025	97	16,143	9,798	21,786	893.64	114.61	222.52	134.42
Baltimore City	905,759	11,465.3	183,885	210	16,598	8,672	20,066	926.78	105.20	165.89	57.39
Baltimore	621,077	1,039.3	129,897	157	23,207	14,309	30,538	1,007.19	131.64	120.15	77.05
Calvert	20,682	95.5	5,916	11	16,567	7,056	18,550	954.77	79.98	60.34	92.61
Caroline	19,781	61.5	5,170	10	11,454	5,728	15,017	860.05	84.47	80.23	89.26
Carroll	69,006	151.3	16,645	28	19,785	8,836	22,379	872.27	74.01	164.18	57.51
Cecil	53,291	147.3	12,378	25	15,112	7,093	18,953	778.57	113.16	7.04	16.59
Charles	47,678	103.8	14,153	25	21,406	6,516	18,340	987.23	111.93	245.03	210.28
Dorchester	29,405	49.5	6,268	21	17,585	7,767	20,608	962.52	53.14	24.05	28.32
Frederick	84,927	127.6	20,329	34	21,998	8,989	25,169	891.89	141.81	291.23	72.67
Garrett	21,476	32.6	5,707	17	17,158	4,472	17,916	810.05	30.65	16.14	24.20
Harford	115,378	254.6	30,476	36	16,542	8,026	19,960	855.20	103.84	207.37	156.80
Howard	61,911	246.7	18,355	31	26,929	11,673	28,070	997.15	136.11	988.90	940.75
Kent	16,146	57.6	3,808	8	20,560	6,850	25,698	963.96	110.95	272.81	246.69
Montgomery	522,809	1,054.9	122,047	194	30,713	17,422	40,900	1,277.16	124.60	152.41	134.50
Prince George's	660,567	1,365.4	156,921	232	19,420	10,999	25,709	1,009.17	126.33	138.47	64.57
Queen Anne's	18,422	49.1	4,630	11	20,072	7,380	23,441	886.45	66.78	34.70	12.46
St. Mary's	47,388	126.9	11,363	23	12,385	5,132	14,186	896.53	54.11	40.16	18.99
Somerset	18,924	55.8	4,493	16	13,399	4,752	14,547	829.92	61.27	120.59	138.67
Talbot	23,682	90.7	4,876	12	29,508	12,143	34,488	957.82	125.39	310.80	150.90
Washington	103,829	226.3	23,024	43	19,252	8,392	22,278	908.25	88.38	135.58	233.77
Wicomico	54,236	142.5	13,895	24	19,569	7,745	21,350	831.85	94.54	77.69	87.79
Worcester	24,442	51.0	6,385	14	34,120	7,099	31,812	912.41	95.64	33.28	9.79

* Includes State funds

Col. (6)(c) Education base = prior year's assessed valuation of real property + taxable net income.

The Maryland State Education Agency

The general care and supervision of public education in Maryland is entrusted to a State Department of Education, at the head of which is a "State Board of Education." The State Board of Education is composed of seven members appointed by the Governor. This Board, in turn, appoints a State Superintendent of Schools. Professional members of the Department of Education are appointed by the State Board upon nomination by the State Superintendent. Nonprofessional personnel of the Department are appointed by the Superintendent from lists supplied by the State personnel office.

The State Board of Education has the following broad powers as set forth in the statutes: "They shall determine the educational policies of the State; they shall enact bylaws, rules and regulations for the administration of the public school system, which when enacted and published shall have the force of law. For the purpose of enforcing the provisions of this article, and the enacted and published bylaws, rules and regulations of the Board, the State Board of Education shall, if necessary, institute legal proceedings. The State Board of Education shall, without charge and with the advice of the Attorney General of Maryland, explain the true intent and meaning of the law, and shall decide all controversies and disputes that arise under it, and their decision shall be final". (3)

More specifically, the State Board of Education has statutory authority to:

1. Direct and develop public interest and support of public education.
2. Conduct investigations of educational needs.
3. Establish staffing ratios.
4. Prescribe rules and regulations for approval and accreditation of public and private schools.
5. Prescribe rules and regulations for certification of teachers and other professional personnel.
6. Prescribe forms for financial reporting.
7. Develop and transmit a State public school budget.
8. Recommend legislation.

The State Superintendent generally is charged with responsibility for executing the policies of the State Board of Education and for enforcing all provisions of the laws and bylaws. To accomplish this, he is empowered to withhold appropriations when violations occur.

With specific reference to responsibility for public school construction, the State Board of Education is required to establish "standards of and guides for, the planning and construction of school building projects", to maintain a school construction planning service, and to collect, publish, and disseminate to boards of education information relating to school construction. (4)

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(3) The Annotated Code of the Public General Laws of Maryland. Article 77, Section 6.

(4) The Annotated Code of the Public General Laws of Maryland. Article 77, Section 9.

The State Superintendent has broad approval authority with respect to school construction. Before a local board of education can proceed with a project, the State Superintendent, subject to bylaws, rules, and regulations of the State Board, must approve the following:

(1) All proposals for the purchase of ground, school sites, or buildings;

(2) All proposals for the sale of the same;

(3) All plans and specifications for the remodeling of school buildings in excess of one hundred thousand dollars;

(4) All plans and specifications for the construction of new school buildings; and

(5) All change orders in excess of twenty-five thousand dollars for the remodeling, restoration, or construction of school buildings.

The responsibilities and powers of the State Board of Education and the State Superintendent of Schools with respect to school construction, as enumerated in the preceding paragraphs, still appear in the statutes; but they have been considerably modified by the legislation enacted in 1971, as will be discussed in a later chapter. It is clear, however, that prior to adoption of the new State program, the State education authority through its rule making and approval powers could have exercised unlimited control over the construction of school facilities in the subdivisions, had they so chosen. Similar authority is vested in them with respect to the operation of schools.

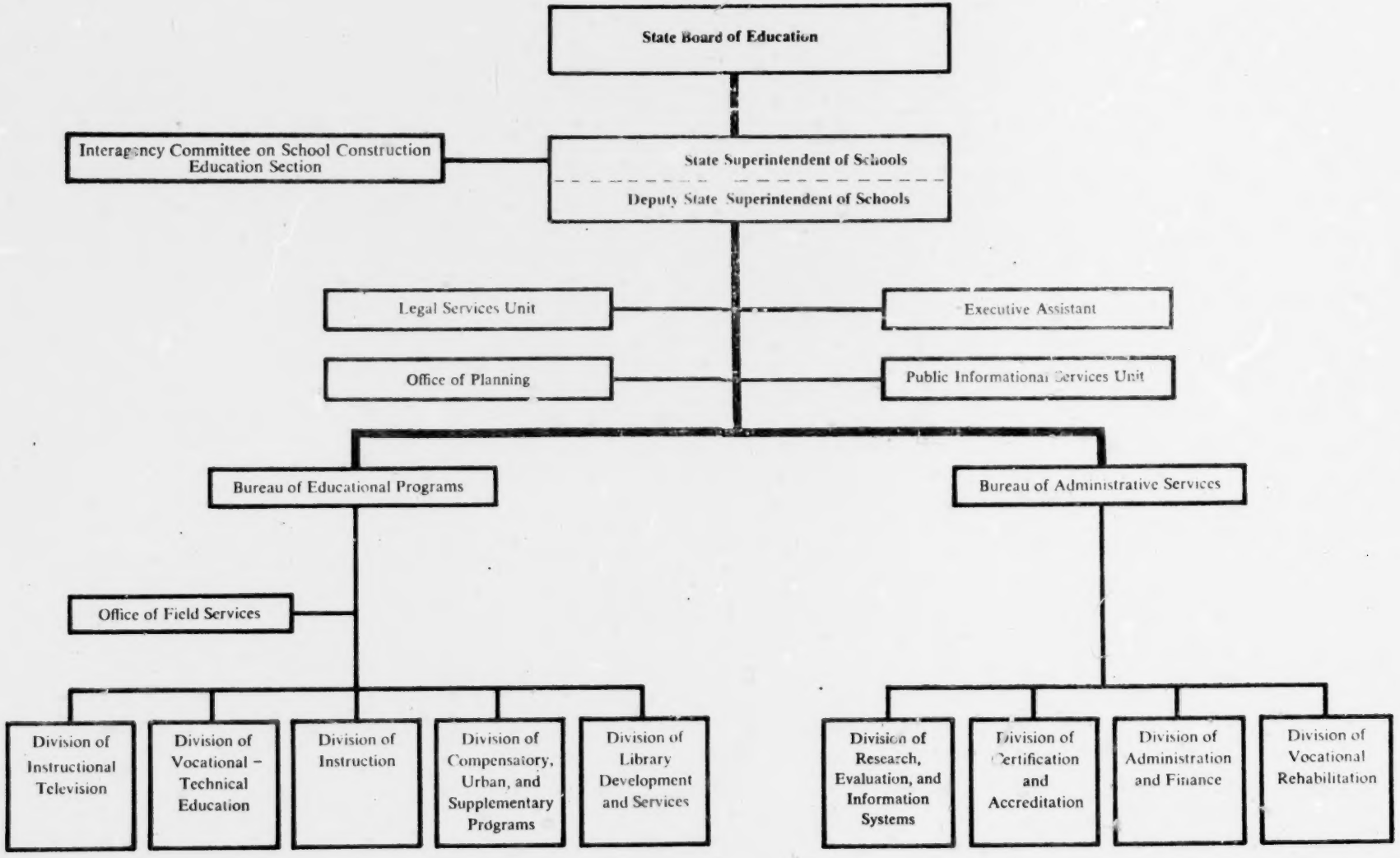
At this point, it may be of interest to examine briefly the manner in which these responsibilities were carried out prior to 1971. Chart A, presented on the following page, reveals the manner in which the Department of Education with its 440 employees is presently organized to perform its statutory functions. Prior to 1971, of course, the Interagency Committee on School Construction did not exist; and the school construction section was a part of the Division of Administration and Finance. As of 1971, this section included only three professional personnel. Up to 1950, the approval of plans function was performed through use of a single architectural consultant retained on a part-time contractual basis. A full-time Supervisor of School Plant was employed in 1950, and two additional supervisors were added in 1965 and 1967. In the meantime the services of the consultant were discontinued.

The site approval function was largely performed directly by the State Superintendent of Schools up to 1950. This individual would personally visit each proposed site in the State and subsequently issue a written approval or disapproval. Subordinate personnel assumed responsibility for inspection and recommendation subsequent to 1950.

In view of the heavy increase in school construction activity, as evidenced by the fact that the annual volume never was as great as $10,000,000 prior to 1948 but had reached $150,000,000 by 1970, the Department has probably been less adequately staffed in recent years than it was prior to 1950.

PLAN C.
ORGANIZATION

CHART A


State Board of Education
Interagency Committee on School Construction Education Section
State Superintendent of Schools
Deputy State Superintendent of Schools
Legal Services Unit
Executive Assistant
Office of Planning
Public Informational Services Unit
Bureau of Educational Programs
Bureau of Administrative Services
Office of Field Services
Division of Instructional Television
Division of Vocational – Technical Education
Division of Instruction
Division of Compensatory, Urban, and Supplementary Programs
Division of Library Development and Services
Division of Research, Evaluation, and Information Systems
Division of Certification and Accreditation
Division of Administration and Finance
Division of Vocational Rehabilitation

From 1917 through 1949, school plant approvals were based upon rather rigid and detailed standards adopted as State Board of Education bylaws and published as "Standards for Maryland School Buildings". These standards were revised fairly regularly - 1917, 1926, 1930, 1940, and 1941. Typical of the standards adopted were such requirements as east-west classroom exposures; no trees within 40 feet of a window; no windows opening upon a court with a width less than two and one-half times the average height of the building; classroom dimensions of width - 23 feet, length - 26 feet, and height - 12 feet 6 inches, to accommodate 40 pupils; windows to be on left side of room and at least four feet back from front blackboard; artificial lighting in classrooms to provide not less than 8 footcandles for daytime use, etc. While such standards may in this day give cause for humor, they may very well have been a model for their day

Maryland changed its approach to the problem of establishing standards by issuing, in 1949, a manual entitled, "Planning Maryland School Plants". This document incorporated general suggestions with respect to procedures to be followed in carrying out the various phases of a construction project, but the significant change over previous policy was the adoption by the State of the standards set by the "School Facilities Guide of the National Council on School House Construction". There were no other attempts to establish statewide standards from 1949 to 1971, except for an "Administrative Procedures Guide" issued in 1970, which spelled out in detail procedures to be followed in programming, planning, constructing, and evaluating school facility projects. The primary emphases were upon the processes required for obtaining the necessary project approvals and qualifying for State financial assistance.

As of 1971, there was no complete statewide inventory of school facilities, the last having been developed in 1963. There was no statewide assessment of long-term school facilities needs.

Maryland's Local Education Agencies

Maryland's statutes place control of educational matters affecting the twenty-three counties under the control of county boards of education. The laws, as amended in 1969, provide generally for boards consisting of five members for school systems with less than 50,000 pupils; seven members for systems with enrollments between 50,000 and 100,000 pupils; and nine members for systems larger than 100,000. The only exception is Montgomery County which is permitted to have a seven-member board even though it enrolls more than 100,000 pupils.

Typically, board members are appointed by the Governor for five-year terms. There are, however, the following exceptions: Board members for Charles and Montgomery Counties are elected for four-year terms; Washington and Howard Counties will have elected boards as of January 1, 1975; the citizens of Carroll County will decide by referendum at the next general election whether they want an elected school board; and the citizens of Prince George's County will have an elected school board as of December, 1973, but will decide by referendum in November of 1973 whether such board shall be fiscally autonomous.

The statutory provisions for organization, duties, and responsibilities of the county education agencies generally parallel those for the State education agency. The boards are "authorized, empowered, directed, and required to maintain throughout their respective political subdivisions a reasonably uniform system of public schools designed to provide quality education and equal educational opportunity for all youth". They are further required to carry into effect the provisions of the statutes, the bylaws, rules and regulations, and policies of the State Board of Education. (5)

Each board must appoint a county superintendent of schools who becomes the executive officer, secretary, and treasurer of the board, attending all meetings except where his own tenure, salary, or administration of his office is under consideration. The appointment of the county superintendent is subject to approval by the State Superintendent; and he may be removed from office only by the State Superintendent, except at the end of a term of office.

With regard to school facilities, the county boards are "authorized and empowered, with the approval of the State Superintendent of Schools, to purchase or otherwise acquire grounds, school sites, or buildings; or to rent, repair, improve and construction school buildings or to approve contracts for so doing, provided that the plans conform to bylaws, rules and regulations of the State Board of Education and are approved by the State Superintendent of Schools". All of these actions require recommendations from the county school superintendent. (6)

County boards are further required to consult with planning agencies wherever they exist and to hold public hearings after preliminary approval of a project upon petition by one hundred county residents or upon request of the county government. They must, by law, conform to all State and county building regulations including but not limited to building, electrical, fire, and plumbing codes.

Architects are appointed by county boards upon recommendation of the county superintendent. The boards also have the power of eminent domain.

Baltimore City is the twenty-fourth school district and in most respects is treated as a county. There are, however, a number of differences. Authority for establishment of the school system is vested in the Mayor and City Council, who are authorized to delegate supervision and control thereof to a Board of School Commissioners. Unlike the general governmental bodies of the counties, the Mayor and City Council may prescribe rules for building school houses and locating, establishing, and closing schools. The State statutes are silent with respect to the number and the method of appointment of the City School Commissioners, as well as the appointment of a City Superintendent of Schools, since the law gives to the City the whole of its power over public schools in the City. Actually the City, through its own charter, has a Board of Commissioners of nine members appointed by the Mayor. The Board in turn appoints a Superintendent of Schools with duties and powers similar to those of county superintendents.

(5) The Annotated Code of the Public General Laws of Maryland. Article 77, Sections 40 and 41.

(6) The Annotated Code of the Public General Laws of Maryland. Article 77, Section 47.

Except as indicated above in the case of Baltimore City, the general local governing bodies (County Commissioners or County Councils) have no direct authority with respect to public schools. However, none of the twenty-four school boards is fiscally autonomous. Each prepares a budget and submits it to the county or city government which in turn imposes and collects whatever taxes may be required. Sufficient funds must be provided to qualify for State assistance; but, beyond that, the amounts of the appropriations are at the local governments' discretion. State and federal funds for education are paid directly to the county boards of education, but in Baltimore City the funds are routed through the City government.

In no case does the local education authority have independent power to borrow money or to levy taxes to construct school facilities, but (except for Baltimore City) they may apply funds from other sources (State, Federal, etc.) to such purposes. Typically, county governments are authorized by the State Legislature to issue full faith and credit bonds on an individual project basis. Usually, upon sale of the bonds, the proceeds are turned over to the boards of education which contract for and carry out the construction projects. There have been cases where the Legislature in authorizing bond issues has imposed specific requirements modifying the authority of the school boards. For example, in one county it is required that construction be carried out by a commission including representation from the Board of Education, the Board of County Commissioners, and the general public. In seven charter counties, the County Council has the power to create debt without specific authority from the State General Assembly.

Until about 1940, the counties employed virtually no personnel charged primarily with responsibility for administering or supervising the school construction program. This role, even in the larger counties, fell directly upon the county superintendent who relied heavily upon the architects. Gradually, as construction activities increased, specialized personnel appeared on the scene; and by 1971 the records reveal the following numbers of employees, by position, assigned to this function in all school districts:

Director of planning	6
Architects	3
Engineers	11
Planners and designers	21
Construction and mechanical supervisors	10½
Inspectors/clerks of works	35
Plans Examiner	3
Technicians and draftsmen	19½
Clerical personnel	38½
Site acquisition personnel	5
Assistant directors	11
Assistant Superintendent in Administration	5
Assistant in purchasing	1½
Account clerks	4½
	174½

There were still seven counties reporting no personnel assigned solely to the facilities program.

CHAPTER II

Financing Public Elementary and Secondary Education in Maryland

To fully understand the conditions, forces, and purposes which led to the enactment of Maryland's legislation for full State funding of school construction one must have knowledge of the State's philosophy and methods of financing public education up to 1971, the year in which that action was taken. Table II reveals the extent of State support for the operating costs of elementary and secondary schools and the programs through which that support was extended:

TABLE II

State Aid for Operating Costs - 1970-71

1.	State share of current expenses	$162,876,731
2.	State current expense incentive aid	10,546,227
3.	State aid for transportation	31,384,174
4.	State aid for handicapped children	20,278,906
5.	Misc. State aid (driver education, food services, adult education, etc.)	2,688,505
6.	State payments for retirement and Social Security	47,896,896
7.	Total State aid for current expenses	275,671,439
8.	Local funds for current expenses	488,953,764
9.	Federal funds for current expenses	72,959,189
10.	Grand Total - All Receipts	$837,584,392

The above data indicates that in 1971 the State was contributing roughly one-third (32.9%) of the total operating costs of public elementary and secondary education, 8.7% came from the Federal government, and the remainder of the bill was paid from local sources. Calculated on the basis of relative shares of total State and local contributions, the State paid 36.1% and local governments paid 63.9%.

Nature of Current Expense State Aid Programs

State Aid for Current Expenses: This program, listed first in the preceding table, distributed funds through a rather typical equalization formula. In 1971, the State was equalizing a program based upon an expenditure of $370 per pupil. The local subdivisions were required to make a uniform tax effort and the State made up the difference between this required local contribution

and the total cost of the program. There were, however, a variety of adjustments, some equalizing in nature and some unequalizing. Allowed staffing ratios and minimum salaries were prescribed by law. Any staffing below the allowed ratio resulted in reductions in the cost of the total program to be aided, and mandated salary costs in excess of or less than an assumed State average were added to or subtracted from the cost of the total program. An increase of $30 was allowed for each new pupil enrolled, and a further increase of $50 for each pupil enrolled in subdivisions with population densities in excess of 8,000 per square mile (Baltimore City only).

The required local contribution toward this program was an amount equal to a calculated percentage of local wealth represented by the sum of assessed value of real property and taxable net income. This percentage was 1.228% adjusted annually so that the State's overall percentage share of the cost of the program for equalization counties remained within one-half per cent of the support level that obtained in 1967 when the law was enacted. In 1971, this required local percentage rate had been reduced to 1.045%.

A most significant provision was that no subdivision, regardless of how much the required local effort produced, would receive less State aid than $128 per pupil. This feature of the program was, of course, unequalizing in effect and accounted for nearly $27 million out of the total State Share of Current Expenses for 1971 of $162,876,731.

Finally, it should be noted that the law was amended in 1970 to provide for increased aid under this program on a temporary basis. Public pressures for relief of local educational finance burdens had mounted to the point that the Governor and the General Assembly found it necessary to adopt a stopgap measure until a more lasting solution could be developed. An additional distribution was made equal to $22 for every pupil in the State, but the per pupil amount to each subdivision was adjusted in inverse proportion to per pupil wealth. The wealthiest subdivision received $14.34 per pupil, whereas the poorest received $42.66 per pupil. This law also increased the aid for each new pupil by $50. The net result of this increase in aid was clearly equalizing in nature, but the formula had a peculiar effect. In contrast to a strict equalization distribution, it gave an advantage to both the very rich and the very poor subdivisions. This law accounted for nearly $22 million out of the $163 million distributed for the State Share of Current Expenses in 1971.

Current Expense Incentive Aid: This aid program, listed second in the preceding table, had the purpose of encouraging subdivisions to increase staffing. The State shared in the cost of all professional staff members employed in excess of 45 to a maximum of 50 professionals per 1,000 pupils, by paying the same percentage share of mandated State salaries for these employees that was determined for each subdivision under the "State Share of Current Expenses" program described above. Again, however, the law established a minimum guarantee by requiring that no subdivision would receive less than 35% of such amounts.

State Aid for Transportation: Beginning in 1964, the State agreed to pay the full approved cost of transporting children to public elementary and secondary schools. By 1971 expenditures for this purpose had reached $31,384,174. Local governments are allowed to appropriate funds for expenditures in excess of those approved by the State. However, in 1971, such additional local appropriations amounted to only $2,299,449. Transportation, then, was and remains virtually a fully State funded program.

State Aid for Handicapped Children: The subdivisions, of course, receive aid for all children enrolled, including the handicapped, under the two programs just described. Whenever public schools provide special programs to meet the needs of the handicapped the law authorizes aid up to $1,000 per pupil, or such additional amount as may be approved in the State budget. There is a similar provision for the reimbursement of parents who must send children to private schools when no appropriate public school programs are available. Actual appropriations for this category have tended to represent actual costs which are considerably in excess of the stipulated $1,000 amount. Under these provisions of the law the State distributed more than $20 million in 1971. Here again, at least with respect to the excess cost of educating the handicapped, the State direction has been toward full State funding.

State Payments for Retirement and Social Security: Passing over the relatively small miscellaneous State aid programs listed in Table II, in the amount of $2,688,505, the only remaining State assistance provided for operating costs is the support for retirement and social security benefits for public school employees. Maryland established a State retirement system covering the public school employees of the twenty-three counties in 1927, funded entirely by the State. Baltimore City already had a system in 1927 and the State agreed to contribute the employer's share to the support of city school employees in that system. The city school employees have recently been transferred to the State system. The employees of all systems, then, are now covered by the State operated and State financed system. Only one subdivision provides benefits for its school employees beyond those provided by the State. It is of interest to note that the benefits, and costs of benefits, are determined largely by salary levels which are determined locally. This, of course, results in a considerable advantage to subdivisions able to pay higher salaries.

In 1956, the State also agreed to pay the full employer's cost of Social Security coverage for these same employees, without dimunition of retirement benefits.

The total annual cost to the State, by 1971, had reached nearly $48 million, roughly 17% of the total State aid for that year.

In brief summary, of Maryland's five substantial programs of support for the operating costs of public schools in 1971, two utilized equalization formulae and accounted for roughly 70 per cent of all funds distributed, while three represented substantial full State funding and accounted for about 30 per cent of the total. The overall equalizing impact of this mix of financing methods will be of interest. Table III presented on the following page should demonstrate this effect, at least to a limited degree.

TABLE III

Equalizing Effect of Distribution of State Aid for Current Expenses - 1971

(Total Expenditures, $837,584,392; State Aid, $275,671,439)

Subdivision	Wealth per Pupil	% of Revenue from State
Total State	$24,193	32.9
Allegany	19,848 (13)	39.9 (12)
Anne Arundel	20,035 (12)	36.4 (8)
Baltimore City	19,595 (15)	38.8 (11)
Baltimore	28,888 (3)	27.4 (2)
Calvert	16,807 (21)	46.3 (19)
Caroline	14,138 (22)	53.1 (22)
Carroll	20,681 (11)	41.5 (17)
Cecil	17,825 (18)	41.6 (18)
Charles	17,035 (19)	40.9 (15)
Dorchester	19,171 (16)	41.2 (16)
Frederick	23,813 (7)	30.8 (5)
Garrett	16,900 (20)	55.6 (23)
Harford	18,960 (17)	40.5 (13)
Howard	26,380 (5)	31.3 (6)
Kent	23,900 (6)	31.9 (7)
Montgomery	37,092 (1)	24.0 (1)
Prince George's	23,199 (8)	29.1 (3)
Queen Anne's	21,714 (9)	40.8 (14)
St. Mary's	12,477 (24)	52.9 (21)
Somerset	13,307 (23)	55.9 (24)
Talbot	32,363 (2)	29.7 (4)
Washington	21,038 (10)	36.6 (9)
Wicomico	19,676 (14)	47.1 (20)
Worcester	27,126 (4)	36.6 (9)

The rankings in Table III for per pupil wealth are from high to low, whereas the rankings in per cent of total revenue from the State are from low to high. The same ranking for a subdivision in each column, therefore, would represent a positive relationship between wealth and amount of State aid. An equalizing effect is clearly demonstrated. Subdivisions with greatest wealth do tend to receive the smaller percentages of State aid and vice versa. Four subdivisions have identical rankings and for 13 the ranking in wealth is within two positions of the rank in per cent of aid. Many of the differences in ranking can be readily accounted for by such factors as minimum guarantees.

It should be reiterated that this table demonstrates equalization to but a limited degree. Differences in per pupil expenditures or differences in pupil needs were in no way taken into account, unless one makes the dubious assumption that current local expenditures represented true needs.

Evaluation of the Finance System

The system of financing public education in Maryland as it appeared in 1971, and as portrayed in the preceding pages, is largely an outgrowth of legislation enacted in 1922. This statute established one of the first State equalization programs in the nation. The philosophy behind it was well described by Dr. Albert C. Cook, Maryland State Superintendent of Schools, in an address delivered at a meeting of the Department of Superintendents, National Education Association, held in Boston in 1928, as follows:

> *The State has a right, unquestionably, to set up a minimum program of public education that shall reach every child in the State, but there is a corresponding obligation to so provide State support for the program, that no local school unit shall be required to tax itself beyond a reasonable limit for schools, in order to carry the program set up.*
>
> *The two indispensable factors, then, in the equalizing principle are:*
>
> 1. *A state program that shall provide for efficient organization, administration, supervision, and teaching in even the least wealthy school unit of the State; and*
>
> 2. *A state school fund sufficiently large and so distributed that even the least wealthy school unit need not tax itself beyond a reasonable maximum to carry the state's minimum requirements.*

Accordingly, this first Maryland equalization law included the following features:

1. Allowed staffing ratios based upon type and size of schools, and central office staffing for supervision and administration.

2. Prescribed minimum salaries.

3. Allowance for other costs of instruction. (In 1922, salaries could be only 76% of total current expenses, and the allowance was thus about 32% of salaries. Later this percentage became 25% of salaries and remained at that level until 1964.)

4. Required local tax levy of 67¢ per $100 of assessed value of property. (Equalization aid was the difference between the returns from this levy and the cost of the minimum program set forth in items 1, 2, and 3.)

5. A variety of basic aid grants in existence prior to 1922 were continued, and these amounts were used as offsets in calculating equalization payments. No mention of these was made by Dr. Cook in his 1928 speech and one might assume that the intent was to phase them out. However, they became firmly fixed in later amendments, typically as flat amounts per classroom unit ranging from $150 to $1,000. These, in effect, became guarantees of minimum amounts of State aid regardless of wealth, but seemed not to be recognized as such.

This basic framework for aiding operating costs, as established in the 1922 law, remained virtually unchanged until 1973 when a new law, which will be described later, was enacted. It proved to be a rather flexible formula, one which could be readily adjusted to meet changing needs, and which seemed to maintain an acceptable balance between State and local fiscal responsibilities, at least up to 1964. Adjustment was simple. If improvement of the program was desired, a change in staffing allowance or teachers' salaries, which factors automatically determined allowances for other instructional costs, would accomplish this. The minimum program could also be broadened by such actions as increasing the number of grades of schooling offered, by adding transportation costs to the program to be equalized (as begun in 1927), etc. If the goal was local tax relief (revenue sharing) the State only needed to reduce the rate of required local tax levy. If it was necessary to placate the wealthier nonequalization units, the basic grants could be increased. The law was so adjusted at least twenty times between 1922 and 1971, or roughly once every two and one-half years.

From reading the description of the system in 1971 as presented at the beginning of this Chapter, one might well question the statement that the framework established in 1922 had "remained virtually unchanged". The formula, as amended in 1964 and as still in effect in 1971, would indeed appear to be quite different. The minimum program was expressed in terms of an expenditure per pupil ($340 and later $370); the allowance for other costs of instruction was specified as a portion of the $370 ($61 and later $71); the required local contribution was based upon a percentage of the sum of assessed property wealth and taxable net income; and a minimum amount of aid per pupil was stipulated ($9[illegible] and later $128). These changes, however, were more apparent than real. The $370 figure was adjusted to correct for staffing below the established ratio and for differences in mandated salary requirements among the subdivisions so that the minimum program was still largely a function of mandated salaries applied to allowed staff. The basic grants were replaced by a minimum aid guarantee expressed as a fixed amount per pupil, and both served the same function.

It should be of interest to note that the State's share of the total cost of current expenses remained relatively stable throughout the 50-year period, ranging from a level of about 30% during the depression years to a high of 40.5% in 1948 and an average of roughly 35% for all subsequent years. In light of this it may be difficult to account for the apparent general satisfaction with the program through the early sixties in contrast to the almost continuous and widespread dissatisfaction since that time. The explanation, perhaps, is to be found principally in the very steep rise in education costs of recent years. Even though the local percentage share has remained relatively stable, that share applied to the much larger cost has placed a greater strain upon local resources.

One final statement from Dr. Cook's 1928 speech, referred to earlier, probably gets to the nub of this problem. He stated that, in establishing the minimum program to be supported back in 1922, they did not mandate salaries equal to those of counties of average wealth, but instead "The minimum salary schedule adopted --- was one that provided salaries considerably higher than were then being paid in all except two of the twenty-three counties." In recent years, salary levels in all subdivisions have exceeded the prescribed State scales. Thus, since salary levels largely determine minimum program levels, the real problem has probably been an unrealistic minimum program, as opposed to programs offered, rather than too little State support.

Developments in Current Expense Funding Since 1971

As previously noted, temporary legislation was enacted at the 1970 Session of the General Assembly supplementing in the amount of roughly $22 million, through use of a new separate formula, the aid already provided through existing formulae. During this same session, the Governor and the presiding officers of the two houses of the Legislature appointed a commission charged with responsibility for studying the need for "revision of the State aid foundation program", and the possibility of "full funding by the State" of all operating costs. The Commission was instructed to report its "findings and recommendation in time to chart a course for the 1971 session of the General Assembly." This Commission, after making an unusually intensive study of the entire problem of financing public education, reported to the Governor and General Assembly in February 1971. (1) It had found that:

1. Education expenditures had escalated in recent years - from $290 million in 1964 to $700 million in 1971; from an average per pupil expenditure of $420 in 1964 to $792 in 1971.

2. The burden of financing education had shifted from a State share of 40.2% for basic current expenses in 1968 to 32.4% in 1971. Of operating expense increase between 1964 and 1971 amounting to $409 million, the State had paid 29% and local governments 71%.

3. Disparities in expenditures were increasing - from a range in average per pupil expenditures of $352 to $468 in 1964, to a range from $599 to $1,027 in 1971.

4. Existing State aid grants, due to the effects of minimum guarantees and other adjustments, were actually increasing disparities in some situations.

In an attempt to find solutions, the Commission examined fully the possibilities of fully equalizing all operating expenditures and of fully State funding all such costs. It ultimately rejected the idea of full State funding because of the enormity of shift in tax burden and concerns about effects upon local control of schools. It recommended substantially full equalization of all operating costs with the State paying 55% of the total prior year's cost through a percentage equalization formula. The first year's increase in State aid would have been about $164,000,000.

The Commission also recommended the full State funding of construction costs.

The General Assembly considered various bills which would have implemented the Commission's first recommendation. None received administration support and none were enacted. The problem clearly was lack of State funds of such magnitude. Full State funding of construction costs, however, had been endorsed by the Governor and was enacted.

(1) Maryland's Obligation to Its Children for Their Education. Report of the Commission to Study the State's Role in Financing Public Education. Annapolis, Maryland, February, 1971.

The Commission was divided on the full equalization versus full State funding issue, and a minority report signed by four members was submitted. Further, while this Commission was conducting its investigation, a Citizens Commission, working with a Ford Foundation Grant, also made a comprehensive study and recommended full State funding of all education costs in its report issued in November, 1971. (2) Legislation to effect this was also introduced but was not enacted. Following the 1971 Session, a Legislative Council committee gave further consideration to these various bills and ultimately recommended a modified version of the 1970 Commission's equalization proposal for introduction at the 1972 Session. It was not enacted.

In terms of legislative enactment, then, neither the 1971 nor the 1972 session produced positive results with respect to the funding of operating costs. One bill that was introduced in 1972, however, came close enough to enactment to assure some type of action at the 1973 Session. This bill would have accomplished the Commission's full equalization recommendation by reducing the State's overall percentage share from 55% to approximately 25%. In the process it would have reduced existing State aid to the wealthier subdivisions by about $30 million.

In June, 1972, in a further effort to resolve the problem, the Governor appointed a special task force chaired by the Lieutenant Governor to attempt to devise an education aid formula that:

(a) will give every Maryland youngster a fair shake in education regardless of the wealth of his community,

(b) will be sufficiently stable and durable so that new disparities will not creep in from the very outset,

(c) will be sufficiently simple so that local school boards can estimate their share for the coming year with reasonable assurance,

(d) will avoid doing drastic damage to the school system or taxpayers of any particular jurisdiction, and

(e) will require little, if any, increase in the very large sum of money ($343,425,540 in Fiscal Year 1971) that the State is already pumping into the local school systems.

In a report submitted to the Governor in January, 1973, the Task Force recommended that: (3)

1. The State agree to equalize fully a program requiring an expenditure of $610 per pupil. (The present program is about $450 per pupil.)

2. The State agree to pay 55% of the statewide cost of such program with the relative shares varying among individual counties in relation to wealth. (The State now pays about 45% of the $450 program.)

(2) A Responsible Plan for the Financing, Governance and Evaluation of Maryland's Public Schools. Citizens Commission on Maryland Government. November, 1971.

(3) Report of The Governor's Task Force on Financing Public Education. Annapolis, Maryland. January, 1973.

3. *Local governments be required to tax themselves at the rate required to pay their statewide share of 45%. All will pay at the same rate but their contribution will vary according to wealth. (For the first year this rate would be 0.869%.)*

4. *All complicated foundation program adjustments used in the present program be eliminated.*

5. *There be no minimum guarantees or continuing save harmless provisions.*

6. *All data required for aid calculations be firm when appropriations are made.*

7. *The program be phased in over a period of five years, with the cost to the State increasing at the rate of approximately $21,000,000 each year, representing a total State cost increase of about $105,000,000.*

Implementing legislation was introduced and enacted at the 1973 Session of the General Assembly. The Task Force had built upon the work of the 1970 Commission. The formula recommended and enacted is basically a percentage equalization formula. However, instead of equalizing prior year's costs on the basis of a 55% State share, the Task Force elected to equalize a fixed program of $610 per pupil. The unique and politically effective feature of the recommendation is the provision for phasing in the increased State cost over a five-year period. The level of the program to be supported and the State percentage share were set at such a point that, when in full effect, no subdivision's aid would be reduced below existing amounts. Each subdivision's aid will increase from its present amount to full implementation at the rate of one-fifth of the difference each year. The unequalizing minimum guarantees will have been eliminated and no subdivision will have had its aid reduced in the process.

The total cost of the program to the State is expected to be approximately $105,000,000 per year when in full effect.

The Task Force, in submitting is report, acknowledged that the $610 expenditure level to be supported by the fully effected program would be unrealistic in relation to actual expenditures. The resulting legislation will, however, achieve a substantial increase in the program to be supported ($450 to $610); it will provide a much simplified formula; it will guarantee a fixed State share of the program costs; and nonequalizing features will have been eliminated. The State has a good equalization formula upon which to build.

One additional law enacted during the 1973 Session is worthy of comment. The bill as presented by the Administration would have repealed existing laws relating to the provision and funding of special programs for handicapped children and would have required the State Board of Education, within one year, "to adopt standards for the identification, diagnosis, examination, and education of all children in the State through age 20 who are in need of special education services." Local boards of education would then have been required to promptly

develop plans to provide special services in accordance with the standards, which plans were to be reviewed by the State Superintendent. In short, the legislation proposed a complete and comprehensive statewide program of education designed to meet all of the special educational needs of the handicapped. With respect to funding, which is of special interest here, it was proposed that the full cost of the program be shared by the State and the subdivisions on the basis of the percentages established in the foundation current expense program. The direction of financing would thus have been shifted away from full State funding and toward equalization. As enacted, the funding requirements of the bill were deleted; and the decision with respect to method of finance will, therefore, be deferred until the nature and extent of the program is known. It should be noted that the funding provisions do not appear to have been the primary purpose of the legislation. Instead, the chief thrust of the bill was an effort to guarantee special programs where needed for all children in all subdivisions, which situation does not presently exist.

Funding the Costs of School Facilities Prior to 1971

The local subdivisions had virtually sole responsibility for the provision of school facilities until 1947. In that year the first general construction aid program, referred to as Incentive Aid for School Construction, was established. In view of the fact that the program resulted from a recommendation of a State commission which made an overall study of State and local fiscal responsibilities, (4) it may be assumed that local financial relief, as well as provision of adequate school facilities, was a primary objective.

The initial incentive aid law offered the subdivisions a grant of the difference between $10.00 per pupil and a tax levy of 5¢ per $100 of assessed property value. The formula was equalizing in nature, but did not take into account any differences in construction needs. In 1956, this law was amended by increasing the per pupil allowance to $15 for the 1956-57 school year, and to $20 for the 1957-58 school year. There was no change in the required local tax rate.

The construction incentive law was revised again in 1961, at which time a new feature was added. The per pupil allowance was increased to $22, and an additional allowance of $70 for each new pupil was provided. This, in effect, gave recognition to differences in construction needs. The construction incentive law remained in effect without further change until 1967 when it was repealed and a new concept of construction assistance was adopted.

Extension of State's credit - Shortly after adoption of the incentive idea, the State began, in 1949, the practice of extending its credit to the subdivisions through "General School Construction Loans." In that year a $20,000,000 loan was authorized, but although entitled "Loan," it was actually a grant given on a matching basis. In that year also, a "Public School Construction Loan" law was enacted, which authorized loans to the subdivisions in the amount of $50,000,000. The loans were made by the Board of Public Works upon

(4) Report of the Maryland Commission on the Distribution of Tax Revenues. September 30, 1946.

recommendation by the State Department of Education. They were based upon demonstrated needs, but within entitlements which reflected size of enrollment. Bonds were sold by the State; the proceeds were loaned to the subdivisions; and the local governments were required to reimburse the State for all costs of debt service by having funds withheld from various State payments due to them.

This approach to providing State assistance toward school construction costs was in response to the heavy increase in school construction activity resulting from a backlog of facilities needs that had developed during the depression and war years and, of course, the World War II baby boon. Maryland's subdivisions generally had no legal debt limits, but the practical limitations of the day (such accepted standards as seven per cent of assessed wealth) were placing the credit ratings of some subdivisions in jeopardy.

The State has continued this practice to the present day. The total of such loans authorized for elementary and secondary schools is set forth in the following schedule:

Year	Amount
1949	$50,000,000
1953	20,000,000
1956	75,000,000
1962	20,000,000
1963	50,000,000
1965	50,000,000
1967	50,000,000
1970	50,000,000

State aid for construction of Vocational Education facilities - Beginning in 1965, Maryland also authorized State debt for the purpose of making grants for the construction of vocational education facilities. Under this program the State paid a percentage share of the cost of construction equal to the current expense equalization share, but not less than 50%. State bonds have been authorized for this purpose as follows:

1965	$10,000,000
1967	10,000,000
1969	10,000,000

The construction aid law of 1967 - As pointed out above, this was the law in effect as of 1971 when the State assumed full responsibility for school construction. Its legislative history is interesting and complicated in that it covered a period of several years and involved five different committees or commissions. First, a State Commission on State and County Finance reporting in January, 1965, (5) recommended sweeping changes in allocation of fiscal resources and financial responsibilities as between State and local governments. Most notable, and later controversial, was a very substantial general revenue sharing proposal designed to equalize local abilities to meet all governmental responsibilities. This report contained no specific recommendations for changes in education financing.

(5) Guide Lines for Improving Maryland's Fiscal Structure. Interim Report of the Commission on State and County Finance. January, 1965.

In October, 1965, the Legislative Council's Committee on Taxation and Fiscal Matters completed and reported to the Legislature a wide ranging review and evaluation of the new current expense aid program enacted in 1964 and analysis of the program for financing construction costs. (6) According to that report, the Committee concluded "that the State should reconsider its approach to the financing of the capital costs of schools, and that the recommendation to establish a foundation program, realistically related to the actual cost of providing school facilities, with the establishment of a cost sharing arrangement comparable to that provided for current costs, is a sound approach." This was in response to a Department of Education proposal that a foundation program of $30 for every pupil and $1,500 for each new pupil be established and shared in accordance with the ratios established in the current cost formula. The Committee acknowledged the need for and appropriateness of such change but concluded that it was "not prepared to make a firm recommendation at this time because of the obviously heavy impact upon the State's financial resources."

The 1966 Committee on Taxation and Fiscal Matters turned its attention again to these same problems and specifically recommended, along with a number of changes in the current expense aid formula, that "the State pay the same share of the following public school construction costs that it pays of the current expense foundation program, calculated in accordance with preceding recommendations: 80% of approved expenditures up to $1,500 per pupil housed, plus 80% of all costs of debt outstanding or obligated as of June 30, 1967."(7) The 80% figure was injected as a device to balance costs and available funds. The debt service provision was an attempt to give equitable treatment to those subdivisions which had already caught up with their school building needs thereby creating debt, as opposed to those subdivisions that still had much construction to accomplish and who might, therefore, receive undue advantage from the program. This was the recommendation that ultimately became law.

The narrative now returns to the Commission on State and County Finance. Following the 1965 Session of the General Assembly, a Special Legislative Commission on State and Local Taxation and Financial Relations had been set up to evaluate the 1965 Commission Report. That Commission, reporting in January, 1966, accepted and recommended the general equalizing revenue sharing proposals. (8) Further, in order to balance the overall fiscal package, it included in its recommendations those relating to increases in State current expense aid and school construction aid as proposed to the Committee on Taxation and Fiscal Matters in 1965. A bill to effect the Commission's recommendations was introduced at the 1966 Session. Involving, as it did, hundreds of millions of dollars of shifts in tax sources, shifts in tax burdens, and tax increases, this bill became the most bitterly contested legislation in recent memory. It was enacted by the Senate and failed by two votes in the House. To some extent, it became an issue in the 1966 General Election.

(6) Financing Capital Costs of School Construction. Maryland Legislative Council Committee on Taxation and Fiscal Matters. 1965 Report. pp. 25-35.

(7) State Aid to Education. Maryland Legislative Council Committee on Taxation and Fiscal Matters. 1966 Report. pp. 1-59.

(8) Let's Take Firm Action. Final Report of the Special Legislative Commission on State and Local Taxation and Financial Relations. January, 1966.

Following the election, the new Governor promptly appointed yet another committee to review the problems of taxation and State-local fiscal relations, consisting primarily of members of the General Assembly but also including several lay members. This Committee, reporting February 1, 1967, recommended a program which incorporated a considerable portion of the proposals of the 1966 Commission, but avoided the controversial revenue sharing feature. (9) With respect to education, the Committee accepted the recommendations of the 1966 Committee on Taxation and Fiscal Matters described above and incorporated them in its package. All of the Committee's proposals were enacted by the 1967 General Assembly, including total education aid increases of roughly $68,000,000 per year.

With respect to school construction aid, then, from 1967 to 1971, the State's program provided for:

1. Support for 80% of the cost of construction up to $1,500 per pupil housed.

2. Support for 80% of annual interest and redemption payments for debt outstanding or obligated as of July 1, 1967.

3. The State's share of (1) and (2) the same as its percentage share of the current expense foundation program, with a minimum guarantee of 35%.

4. State aid for the establishment and support of kindergartens. An interesting feature of the construction aid legislation was housing reimbursement for subdivisions which had already established kindergartens prior to 1967.

The impact of the 1967 program with respect to construction aid can be gauged from the following data:

Local Receipts from State (All Subdivisions)

	Construction	Debt Service	Total
1965-66	$ 1,609,676	$11,705,929	$ 13,315,605
1966-67	646,614	11,543,594	12,190,208
1967-68	17,732,724	22,568,064	40,300,788
1968-69	29,578,049	17,601,898	47,179,947
1969-70	32,398,752	21,961,705	54,360,457
1970-71	44,341,889	23,412,212	67,754,101
1971-72	82,759,929	56,806,310	139,566,239

(9) A Program to Meet Maryland's Fiscal Problems in 1968. Report of the Committee on Taxation and Fiscal Reform. February 1, 1967.

CHAPTER III

The 1971 School Construction Legislation

Public pressure mounted throughout 1969 and 1970 for property tax relief through increased State financial assistance to the subdivisions. Generally, the demands were for increased aid to education, and much attention was directed specifically to the issue of full State funding of all education costs. The following quotation from an article by James R. Conant, which was printed in the Baltimore News American on December 20, 1970, typifies the public discussion:

> *Maryland, like a number of other states, is currently grappling with an increasingly serious and complex problem: how to pay for public education.*
>
> *The upcoming session of the General Assembly is certain to witness the introduction of proposals to sharply increase the state's contribution to that financing, which has become an increasingly onerous burden on many localities.*
>
> *In Baltimore City, where ever-increasing demands are made upon public education while the rate of growth of the property tax yield is declining, the problem is particularly critical.*
>
> *Baltimore's Mayor D'Alesandro has sounded a call for the state to assume the full costs of financing public education. That call has been echoed by the executives of the two suburban counties adjacent to Baltimore, Dale Anderson of Baltimore County and Joseph W. Alton of Anne Arundel County.*
>
> *Says D'Alesandro: "Since 1942, throughout the country, the share of all property tax revenues which goes to education has risen from one-third to one-half. This trend cannot continue. The property tax, and the property owner, cannot, will not, and should not have to continue to carry this burden."*
>
> *The mayor adds: "Taxpayers and parents across the state are coming to realize that the issue is not whether they pay for education, but where and how they pay for it. That where and how can no longer be the local property tax but must be the state's superior tax resources and ability to pay...It is not a matter of state wealth but of state will."*

The Governor's response to this pressure is set forth in his State-of-the-State Message delivered to the Maryland General Assembly on January 28, 1971, in these terms:

> *I am not unsympathetic to the needs of our subdivisions.*
>
> *The State will do what it must; it will do what it can. But before I proffer help, I offer advice.*

Just as State government, under my Administration, has undertaken to correct its excesses -- to eliminate waste and duplication, to impose strict cost-cutting efficiencies -- so, too, must local governments conduct a serious inventory of their operations.

I am certain that there are many ways, and many areas, in which the local subdivisions could improve their operations and still provide adequate services to our citizens.

And if any local governmental unit is sincerely interested, I will see that wherever practical, the State will lend its experts and its expertise to assist in making these improvements.

This is neither a warning, nor a threat. It is a suggestion, one that has been carefully thought out and, I hope, will be accepted in the interest of serving the public.

Again, before proffering help, I want to correct the growing impression that the State is neglecting the subdivisions.

In the spending program before you, fully $870 million -- or 49.1 per cent -- of the entire $1.8 billion budget goes directly to the 23 counties and Baltimore City.

And $609 million -- or 58.5 per cent -- of all State general funds -- money collected from the taxpayers of Maryland -- is returned directly to the subdivisions.

More specifically, approximately 66 per cent of all money spent in Baltimore City is supplied by the State and Federal governments.

So it is easy to see that the State is doing its share -- to the best of its abilities within current revenues -- to meet its obligation to the subdivisions.

***

To further aid the local subdivisions to meet the increasingly high costs of education, the current operating budget contains a special appropriation of $24.3 million which was distributed to the counties and Baltimore City according to a demonstrated need formula.

I am recommending that this aid be continued in the 1972 budget at approximately the same rate of payment.

By continuing this aid, for example, Baltimore City will receive an additional $4.5 million for its schools, while Anne Arundel County will receive an additional $2 million and Prince George's an additional $4 million.

But recognizing a need above and beyond this help, I intend to present to the General Assembly a comprehensive program under which the State will assume the entire cost of school construction in every county and city of this State.

Such a program, I believe, will be of immeasurable assistance to the local subdivisions in meeting the high cost of education, which in some cases requires as much as 85 per cent of local budgets.

Moreover, such a massive program -- funded and backed by the State -- will relieve pressures on local governments to continually resort to local property tax increases to meet their financial obligations.

Under this program, the State will stand ready to finance in excess of $100 million in new school construction every year, and -- in addition -- to contribute substantial funds to help the counties and Baltimore City pay off school construction debts incurred before 1967.

Through the State's excellent bond rating -- and with no need for additional taxes of any kind -- this program will be accomplished by appropriating a sum of money each year to the bond annuity fund, so that outstanding bonds can be paid off without increasing the State real estate tax.

I believe that this is a generous offer in view of our present financial condition, and I would encourage the General Assembly and all local governments to give this program careful consideration.

This program should relieve the subdivisions of one of their heaviest burdens, yet one of their fundamental obligations -- that of financing quality school systems.

I will ask members of the Hughes Commission -- which has devoted much time and energy to studying the problem of broadening the State's participation in the financing of education -- to work with my Administration on preparing legislation to accomplish this program. I seek their guidance; I welcome their suggestions.

The unusual length of the preceding quotation is justified in that it contains clues with respect to the setting from which the full construction cost legislation emerged as well as the considerations giving rise to the proposal. It is clear that the Governor is aware of the public debate and he expressed annoyance with respect to "the growing impression that the State is neglecting the subdivisions." To correct this idea, he points to the fact that 58.5 percent of all State general fund revenues are already returned directly to the subdivisions, indicating that the "State is doing its share."

After explaining his intention to further aid the subdivisions by continuing in 1972 the special current expense aid program enacted on a temporary basis in 1970 for Fiscal 1971, he presents his proposal for a "compre-

hensive program under which the State will assume the entire cost of school construction in every county and city of this State."

In justifying the proposition, he reasons that it "will be of immeasurable assistance to the local subdivisions in meeting the high cost of education,"; that "such a massive program--will relieve pressures on local governments to continually resort to local property tax increases to meet their financial obligations"; that "This program should relieve the subdivisions of one of their heaviest burdens, yet one of their fundamental obligations -- that of financing quality school systems."

Most astonishing, perhaps, is the statement that "Through the State's excellent bond rating -- and with no additional taxes of any kind -- this program will be accomplished by appropriating a sum of money each year to the bond annuity fund, so that outstanding bonds can be paid off without increasing the State real estate tax." Thus, there was a commitment to pay the cost of the program from general funds (not property taxes) and with no additional taxes. The explanation of this seeming legerdemain will be revealed through subsequent extensive quotations from the report of the Commission to Study the State's Role in Financing Public Education (Hughes Commission).

It will have been noted that the Governor indicates his intention to "ask members of the Hughes Commission -- which has devoted much time and energy to studying the problem of broadening the State's participation in the financing of education -- to work with my Administration on preparing legislation to accomplish this program." This Commission, previously described on page 18, had been meeting regularly since May, 1970. While it directed its attention primarily to the funding of operating costs, it was concerned with the financing of all costs. The Chairman of the Commission, early in the deliberations, suggested the desirability of having the State fully fund construction costs. A letter had been received from the President of the Senate urging consideration of this possible course. A variety of calculations was made and studied showing the effects of combining full funding of construction with different plans for sharing operating costs. The Chairman discussed the idea with the Governor on several occasions. The Commission had reached no consensus by January 28, 1971, when the Governor made his commitment. It met on February 3 to consider the Governor's proposal. Newspaper accounts from that point on are most revealing. A bold headline on February 4 (Baltimore Sun) read: "Panel Won't Support Mandel's Aid Plan." The story that followed described the two and one-half hour discussion and the Chairman's lack of success in even bringing the matter to a vote. The report quoted one opponent of the proposal as saying, "I am staggered by the program," and calling it the "least desirable" method of providing increased aid to the counties. According to that member, under the Governor's program the subdivisions with the least need would receive more aid than financially hard-pressed Baltimore City, Prince George's County, and the rural counties. The Commission all along had been fairly evenly divided between those who favored full funding of all costs and those who favored extension of the equalization approach. The opposition to the Governor's plan came primarily from those most committed to the full funding of all costs of education.

The Baltimore Sun, on February 6, concluded an editorial with this comment: "If, as the Governor sees it, the State assumption of construction costs is a 'logical first step' to State assumption of all school costs, then the

Commission and he are headed in the same direction. But the Commission and others will have to make sure that the first step does not become the last and only step in relieving local governments of their disproportionate school burden." Apparently there were those on the Commission who feared that this might become a last step.

On February 11, a Baltimore Sun headline read: "Mandel Panel O.K.'s School Building Aid." The Commission had met again and agreed to recommend full construction cost funding. It also agreed to recommend adoption of a new percentage equalization formula for sharing operating costs that would have increased State aid by more than $160,000,000. There were no revenue proposals and, hence, no real expectation that this recommendation would be enacted. Of interest at this last meeting was one final vote on the proposition that "the Commission's recommendations be considered as a first step toward full funding of all costs." The motion was defeated by a 7 to 6 vote.

The Commission issued its final report on February 26, 1971. (1) Since it contains all of the detail necessary to fill out the Governor's skeletal proposal; the rationale for each of its several parts; and data revealing anticipated fiscal effects; the part of the report relating to full funding of construction costs is presented here in full.

> *Recommendation: The State should reimburse the subdivisions for full approved cost of all construction of public elementary and secondary schools for which contracts are let on or after July 1, 1971. It should also assume the full cost of any school construction debt service requirements of the subdivisions for obligations outstanding as of June 30, 1967. Further, it should reimburse subdivisions for the full cost of debt service for obligations incurred for contracts signed between February 1, 1971, and June 30, 1971, and for any approved direct payments made for construction projects contracted during that same period.*
>
> *How Construction Program Would Operate: It is anticipated that local Boards of Education and county governments would determine their needs for school facilities in much the same manner as they now do. They would submit their proposed plans and programs to the State Superintendent of Schools for approval as they, by law, must now do. These plans and programs would, finally, be subject to approval by the Board of Public Works, acting under guidelines, standards, and procedures adopted by that body with the advice and assistance of the State Planning Department, the Department of General Services, and the State Department of Education. Reimbursement would be for approved costs of approved projects only, and the subdivisions would assume responsibility for costs in excess of those approved.*
>
> *The Present Aid Program: In 1967, legislation was enacted which adopted a new approach toward aid for school construction. The State, in principle, agreed to pay the same (equalized) percentage share of the cost of housing a pupil that it paid for the operating costs of his education. What it actually agreed to pay was the*

(1) Maryland's Obligation to Its Children for Their Education. op.cit., pp. 14-21.

equalization percentage of 80% of $1,500 per pupil housed. The $1,500 figure was assumed to be a reasonable cost for housing a pupil and the 80% factor was used as an accommodation to the amount of available State funds.

The State also agreed to reimburse the subdivisions for the equalization percentage share of 80% of debt service costs for obligations outstanding as of June 30, 1967. The purpose of this action was to give fair treatment to subdivisions which may have had heavy construction requirements prior to 1967, as opposed to those which might benefit heavily under the new aid program.

Reasons for Proposed Change: The level of construction aid is not realistic. We are actually aiding a construction cost of about $1,200 per pupil housed and, Statewide, the State is paying approximately 40% of that amount. The actual cost is probably about $2,500 per pupil, and the localities, therefore, are bearing 80% of that cost.

The incidence of construction cost burden is especially uneven throughout the State. Rapidly growing counties have excessively high costs. Other counties may have accumulated a considerable backlog of needed renovation or replacement. Such unusual financial burdens make it difficult or impossible for some subdivisions to maintain their continuing operating programs. State assumption evens out such impact.

As pointed out previously, the same rationale applies here as for State assumption of the full cost of transportation or special education.

Rationale for Full Assumption of 1967 Debt Service: A question may properly be raised as to why June 30, 1967, rather than June 30, 1971, the date after which the State would assume full construction costs. It should be first recalled that the State has already provided aid toward all construction between 1967 and 1971, and the assumption of debt service costs for this period would represent to some extent duplicate payments. Secondly, this complication arises: Some subdivisions have used their construction aid for debt service or other purposes, thus borrowing to construct facilities for which direct payment funds had been made available by the State. Obviously, some complicated adjustments in the amount of debt service costs to be assumed by the State for this period would need to be made to insure any degree of equitable treatment.

The Commission, accordingly, voted to recommend full assumption of debt as of June 30, 1967.

Rationale for Assumption of Debt Service Costs for Obligations Incurred Between February 1, 1971, and June 30, 1971: Governor Mandel, in his message to the General Assembly on January 28, 1971, announced his intention to present to that body a program under which the State would assume the full cost of construction

of school facilities. It can be anticipated that most subdivisions will consider this action in connection with any decisions to contract for construction projects prior to July 1, 1971. It would seem unfair to penalize any who do proceed with scheduled work.

The Fiscal Effects of the Recommendation: Table II reveals the estimated fiscal effects upon the subdivisions of the full assumption of debt service costs of debt as of 1967.

Table III presents the actual expenditures of the subdivisions for school construction for the last four years. As will be noted, the incidence of such costs are erratic. Nonetheless, these figures should convey a general idea of the State's future obligation, and the extent of financial relief to be realized by the subdivisions.

Table IV represents an attempt to present a more complete picture of the impact of this total program upon the State. Reliable projections of future construction needs were, unfortunately, not available to the Commission. Table III has shown what expenditures have been. There is indication that enrollment increases have peaked, and that annual construction requirements may decline to some extent. The cost projections in this Table assume:

a. An average State outlay from bonds of $100,000,000 per year.

b. Average interest rate of 4%.

c. Payment of interest only for first two years of each issue, and level payments of interest and principal for 13 years.

d. The 1967 debt cost will decline as indicated - amounts listed are actual costs.

Implementation

***

This recommendation, also proposed by Governor Mandel in his speech of January 28th, would appear to be immediately achievable within the constraints of the State's financial limitations. For the full assumption of 1967 debt, the cost for Fiscal 1972 is shown in Table II to be $67,928,000. However, the 1972 budget includes an appropriation request in the amount of $22,912,000, which represents the State's present obligation toward that debt under the existing aid program. The increase for this purpose, therefore, would be $45,016,000.

Further, the 1972 appropriation request includes $13,801,000 for direct construction aid under the present program. In the event that the State assumes the full cost of construction after July 1, 1971, this amount, which would have been applied to projects started after that date, would not be needed and could be applied to the debt cost. Thus, the additional amount required is reduced to $31,215,000.

Finally, it is noted that, since 1967, appropriations for the construction aid program have been made on an encumbrance basis - that is, the total amount of the State's share of the cost of projects started in a particular fiscal year has been appropriated in that year, whereas such amount may be paid out over a period of several years. As a result of this procedure, the State, between 1967 and 1972, has appropriated a total of $139,101,000 and will have paid out only $92,154,000. Thus, as of June 30, 1971, there will remain, unexpended from these appropriations, a total of $46,947,000. If the State assumes the full cost of construction after July 1, 1971, it can recover as much of this $47 million as may be required for the program in 1972, and pay the prior construction obligations as they come due from State bond revenues. Therefore, no new State funds would be required to finance the cost of the debt service program in Fiscal 1972.

The cost to the State from current revenues for full assumption of approved construction expenditures in Fiscal 1972 should be minimal. Table IV suggests a hypothetical first year interest cost of $4,000,000 based upon an assumption of $100,000,000 of debt being created each year. It is not conceivable, however, that such amount could be paid out for approved projects in the first year. The maximum amount would be more on the order of 30 or 40 million dollars. Added to this might be a cost of 10 to 20 million dollars to cover prior commitments for which a portion of the encumbered funds will have been recovered. The total bonds actually issued, then, would not exceed approximately $50 million. Finally, it should be noted that, if such amount of bonds were to be issued in the first year, it is probable that not more than one interest payment would fall due in that year. Accordingly, it is highly unlikely that the first year's cost of this part of the program, in new current revenue, would exceed 2 million dollars, and this, too, could be covered by encumbrance recoveries.

(2)

TABLE II - EFFECTS OF RECOMMENDATION - FULL STATE ASSUMPTION OF 1967 DEBT

Local Unit	1971-72 Cost for Debt Obligations as of 6/30/67 (1)	State Aid for Debt in Present Budget (2)	Additional State Aid Resulting from Full Assumption by State (3)
Total State	$67,928,000	$22,912,000	$45,016,000
Allegany	543,000	229,000	314,000
Anne Arundel	5,783,000	2,179,000	3,604,000
Baltimore City	13,114,000	5,395,000	7,719,000
Baltimore	12,659,000	3,544,000	9,115,000
Calvert	209,000	95,000	114,000
Caroline	363,000	186,000	177,000
Carroll	413,000	149,000	264,000
Cecil	974,000	446,000	528,000
Charles	936,000	418,000	518,000
Dorchester	332,000	140,000	192,000
Frederick	1,893,000	583,000	1,310,000
Garrett	133,000	63,000	70,000
Harford	1,814,000	733,000	1,081,000
Howard	1,004,000	281,000	723,000
Kent	86,000	27,000	59,000
Montgomery	10,112,000	2,831,000	7,281,000
Prince George's	14,260,000	4,301,000	9,959,000
Queen Anne's	254,000	89,000	165,000
St. Mary's	382,000	201,000	181,000
Somerset	152,000	81,000	71,000
Talbot	416,000	116,000	300,000
Washington	1,205,000	478,000	727,000
Wicomico	819,000	327,000	492,000
Worcester	72,000	20,000	52,000

(2) Table is copied from Maryland's Obligation to Its Children for Their Education. op.cit.

(3)
TABLE III - TOTAL COST OF CONSTRUCTION 1968 TO 1971 (ACCRUED COST BASIS - FULL COST FOR EACH PROJECT REPORTED UNDER YEAR OF CONTRACT)

Local Unit	Fiscal Year 1968	1969	1970	1971
Tot.St.	$102,375,840	$157,855,843	$157,677,333	$110,299,681
Alleg.	836,580	2,815,800	-	4,557,870
An.Arun.	2,001,354	10,855,215	8,882,905	15,741,824
B.City	9,515,287	59,804,152	29,842,663	23,475,683
Balto.	10,451,298	11,748,168	13,813,610	13,685,512
Calv.	-	-	8,124,858	-
Crln.	50,553	-	1,051,478	-
Carr.	689,797	2,754,219	11,456,000	-
Cecil	700,050	3,793,550	250,000	n/a
Charles	10,214,831	2,591,205	-	3,944,280
Dorchester	-	-	-	-
Frederick	2,498,850	1,485,296	2,546,771	2,219,014
Garrett	503,543	166,627	155,782	-
Harford	4,965,362	4,382,000	9,428,781	1,474,621
Howard	3,163,875	4,167,492	10,373,259	4,286,000
Kent	966,050	4,020,896	-	-
Montg.	21,064,907	14,301,617	28,638,821	19,099,461
Pr.Geo.	22,208,852	27,184,089	25,355,085	13,743,348
Qu.An.	-	404,000	743,898	-
St.My's	1,943,836	867,140	4,316,758	3,640,811
Som.	135,762	168,869	-	670,370
Talb.	-	-	2,577,884	1,301,824
Wash.	5,127,715	2,883,125	-	891,880
Wic.	656,363	979,833	-	1,567,183
Worc.	4,680,975	2,482,550	118,780	-

Source: Maryland State Department of Education

(3) Table is copied from Maryland's Obligation to Its Children for Their Education. op.cit.

(4)

TABLE IV - POSSIBLE IMPACT OF TOTAL RECOMMENDED CONSTRUCTION AND DEBT SERVICE PROGRAMS UPON THE STATE

Fiscal Year	Payments for $100,000,000 Per Year State Bond Issue *	Payments on 1967 School Debt	Total Annual Cost	Annual Cost in Excess of 1972 Budget +
1971-72	$ 4,000,000	$ 67,928,000	$ 71,928,000	$ 35,215,000
73	8,000,000	62,937,000	70,937,000	34,224,000
74	17,692,000	61,698,000	79,390,000	42,677,000
75	27,385,000	58,005,000	85,390,000	48,677,000
76	37,077,000	56,455,000	93,532,000	56,819,000
77	46,769,000	54,363,000	101,132,000	64,419,000
78	56,462,000	51,815,000	108,277,000	71,564,000
79	66,154,000	46,367,000	112,521,000	75,808,000
80	75,846,000	41,944,000	117,790,000	81,077,000
81	85,538,000	38,334,000	123,872,000	87,159,000
82	95,231,000	33,896,000	129,127,000	92,414,000
83	104,923,000	28,687,000	133,610,000	96,897,000
84	114,615,000	26,221,000	140,836,000	104,123,000
85	124,308,000	23,624,000	147,932,000	111,219,000
86	134,000,000	21,116,000	155,116,000	118,403,000

* 4% interest assumed

\+ $36,713,000 budget request for School Construction Fund

(4) Table is copied from Maryland's Obligation to Its Children for Their Education. op.cit.

The forces and circumstances that lead to major legislation are not always readily discernible. Hopefully, the preceding recitation of events will have proved to have been at least interesting if not illuminating. Complete candor, however, might require a much less complicated and much more concise explanation of the "why" of the decision. It might read something like this: As a result of increasing public pressure, something had to be done to increase aid to the subdivisions; no program could be devised to increase education aid without very substantial increases in State revenues; no one wanted a tax increase; here was a program that, for the first years at least, could be funded from monies already appropriated and without new taxes; hence the enactment of full funding of construction costs. The seeming cynicism of the foregoing statement might be properly softened to say, "a practical executive recognized a do-able method of doing something that needed doing."

The Bill As Enacted

The legislation which accomplished full State funding of school construction costs was introduced in the 1971 Session of the Maryland General Assembly as House Bill 861, and became Chapter 624 of the Laws of 1971. The principal provisions of the law were included in a new Section 130A which was added to Article 77 of the Annotated Code of Maryland, this Article being the one dealing with public education. The new section is presented in full on the following pages. The language in italics is that of the bill as originally introduced; the wording in capital letters represents amendments to the bill prior to adoption; the language in regular type following each lettered paragraph is not part of the law, but is commentary added for purposes of emphasis or clarification.

Article 77, Section 130A

(a) *From and after July 1, 1971, the State shall pay the costs in excess of available Federal funds of all public school construction projects and public school capital improvements in the counties and Baltimore City which have been approved by the Board of Public Works and for which the contracts have been executed on or after July 1, 1971.*

This is the heart of the bill. The State will pay the costs of approved construction beginning July 1, 1971.

(b) *The State shall also reimburse the counties and Baltimore City for their direct expenditures from county or city revenues, and/or for their principal and interest payments on any debt incurred, for costs of all public school construction projects and public school capital improvements undertaken pursuant to contracts for construction executed on or after February 1, 1971, and before July 1, 1971, provided that such costs have been approved by the Board of Public Works.*

The State also agreed to reimburse for costs of approved projects if contracted between February 1, 1971, and July 1, 1971. Since the subdivisions would have known of the proposed legislation as

early as January 28, this provision was necessary. Contracts which could and should have been awarded during this period might have been held until July 1.

(c) For purposes of this section, what shall constitute an approved construction or capital improvement cost shall be prescribed by regulations of the Board of Public Works; provided, however, that the cost of acquiring land shall not be deemed a construction or capital improvement cost and shall not be paid by the State.

The Board of Public Works, consisting of the Governor (elected), the State Comptroller (elected), and the State Treasurer (elected by the Legislature), is given full approval authority. Site costs are specifically excluded from costs to be paid by the State.

(d) The Board of Public Works is authorized to adopt rules, regulations and procedures for the administration of the programs provided for by this section. The rules, regulations and procedures adopted by the Board may prescribe requirements for: the development and submission of long-range plans, the submission of annual plans and/or plans for specific projects, the submission of other data or information relevant to school construction or capital improvement, the approval of sites, plans and specifications for the construction of new school buildings or the improvement of existing buildings, site improvements, competitive bidding, the hiring of personnel in connection with school construction or capital improvement, the actual construction of school buildings or improvements thereto, the relative roles of different State and local governmental agencies in the planning and construction of school buildings or school capital improvements, and any other requirements involving school construction and capital improvements necessary or appropriate for the proper implementation of this section. IN PRESCRIBING ANY OF THE FOREGOING, IT SHALL BE THE PURPOSE OF THE STATE BOARD OF EDUCATION AND THE BOARD OF PUBLIC WORKS TO PROVIDE FOR THE MAXIMUM EXERCISE OF INITIATIVE BY SCHOOL PERSONNEL IN EACH COUNTY AND IN BALTIMORE CITY, TO INSURE THAT THE SCHOOL BUILDINGS AND IMPROVEMENTS THERETO MEET THE NEEDS OF THE LOCAL COMMUNITIES, WHILE AT THE SAME TIME, MEETING SUCH REGULATIONS AS ARE NECESSARY TO INSURE THE PROPER OPERATION OF THIS SECTION AND THE PRUDENT EXPENDITURE OF STATE FUNDS. The obligation of the State to pay the costs of public school construction and public school capital improvements shall extend only to those projects or portions thereof which are in compliance with the rules, regulations and procedures of the Board of Public Works.

The Board of Public Works is authorized to adopt rules, regulations, and procedures for the administration of the program. The areas for which they may make rules is spelled out. Note that they cover the full range of construction activities and that the intent seems to have been to make the power as broad as possible rather than to limit it in any way.

The language added here by the Legislature is illuminating, for it suggests the fear of State domination. An attempt is made to assure local involvement.

(e) All money appropriated to accomplish the purposes of this section, whether by Budget Bill or Supplementary Appropriation Bill, shall constitute a separate fund which shall be administered by the Comptroller in accordance with rules and regulations adopted by the Board of Public Works.

It is not unusual in Maryland for appropriations for programs of this scope and nature to be set up as separate funds for purposes of control and administration. Another purpose here, however, was probably a desire to make certain that these funds would not become part of the "General School Fund" for which there are constitutional restrictions. There will be further comment with regard to this later.

(f) The rules, regulations and procedures of the Board of Public Works adopted pursuant to this section, and the promulgation thereof, shall be exempt from Article 41 of this Code, Section 9 and Sections 244 through 256 inclusive, and Article 78A of this Code, Section 2.

The Article 41 exemptions relate to what is known as the Administrative Procedures Act, which generally prescribes the manner in which the various State agencies may adopt rules and covers such matters as filing, publication, petition for amendment or repeal, etc. Compliance with these regulations would have been too restrictive, at least initially.

The 78A exemption relates to a restriction on the use of bond proceeds for improvements that will not exceed the life of the bonds. Such restriction would have excluded the financing of a considerable portion of the equipment required for school facilities.

(g) The authority, responsibilities, powers and duties of the State Board of Education, the State Superintendent of Schools, the governments of the counties and of Baltimore City, the local boards of education, and all other State or local governmental agencies or officials under the several sections of this Article, with respect to public school construction or public school capital improvements, including sites for school buildings, shall be subject to the rules, regulations and procedures adopted by the Board of Public Works pursuant to this section. In the event of any conflict between said rules, regulations and procedures of the Board of Public Works and the authority, responsibilities, powers and duties of the above-named agencies and officials relative to public school construction or public school capital improvements, the rules, regulations and procedures of the Board of Public Works shall prevail.

The statutory powers and duties of the various State and local authorities listed above have been previously outlined in Chapter I. Note that this paragraph makes the exercise of all of those powers subject to the regulations of the Board of Public Works.

(H) THE BOARD OF PUBLIC WORKS SHALL DEVELOP THE RULES, REGULATIONS AND PROCEDURES AUTHORIZED BY THIS SECTION IN CONSULTATION WITH REPRESENTATIVES OF THE BOARD OF EDUCATION OF THE SEVERAL COUNTIES AND THE BOARD OF SCHOOL COMMISSIONERS OF BALTIMORE CITY AND WITH REPRESENTATIVES OF THE LOCAL GOVERNING BODIES. PRIOR TO THE ADOPTION OF ANY RULE, REGULATION OR PROCEDURE AUTHORIZED BY THIS SECTION, OR THE AMENDMENT OR REPEAL THEREOF, THE BOARD OF PUBLIC WORKS SHALL GIVE NOTICE OF ITS INTENDED ACTION TO THE COUNTY BOARD OF EDUCATION FOR EACH COUNTY, TO THE BOARD OF SCHOOL COMMISSIONERS OF BALTIMORE CITY, AND TO THE GOVERNMENTS OF THE SEVERAL COUNTIES AND OF BALTIMORE CITY; AND THE BOARD OF PUBLIC WORKS SHALL AFFORD SUCH AGENCIES AND LOCAL GOVERNMENTS THE OPPORTUNITY TO SUBMIT THEIR VIEWS WITH RESPECT TO THE INTENDED ACTION.

Here again the Legislature is amending the bill in an effort to give local governments a stronger voice. They must be consulted prior to the adoption of rules and regulations and must be notified before such rules and regulations are amended or repealed.

While the principal statutory changes were accomplished through the addition of new Section 130A, several other significant changes in existing law were made as follows:

(1) Most of the funds appropriated by the State for education aid to the subdivisions constitute what is known as a "General State School Fund." Under the provisions of the State Constitution, the State Board of Education and the State Superintendent of Schools estimate the amounts of appropriations needed to meet the requirements of the laws. Neither the Governor nor the Legislature can change these estimates.

The section of the law which establishes the General State School Fund was amended to specifically exclude funds appropriated for the purposes of Section 130A. It was further amended to permit the transfer of monies from the General School Fund to the Annuity Bond Fund. This was necessary in order to use for this program the accumulated construction encumbrances, as described on pages 31 and 32. The amendment goes on to prohibit any other payment from this fund for the purposes of 130A.

(2) The existing construction aid law (Section 130(b)) was amended to terminate it as of February 1, 1971. It was here, also, that the law was amended to require the State to pay all of the cost of debt service for local school construction obligations outstanding as of June 30, 1967. (See page 30 for explanation.)

Simply and briefly stated, House Bill 861 (Chapter 624 of the Laws of 1971) did three things:

1 - Beginning July 1, 1971, it required the State to pay the full cost of construction of public school facilities, as approved by the

State Board of Public Works under rules, regulations and procedures adopted by that Board.

2 - It required the State to reimburse the subdivisions for approved contracts let between February 1, 1971, and July 1, 1971.

3 - It required the State to reimburse the subdivisions for all of the costs of debt service for school construction obligations outstanding as of June 30, 1967, instead of the equalized share of 80% of such debt service that it had already been paying.

A companion bill (House Bill 860, Chapter 625) was introduced and enacted in order to provide the necessary construction funds. The bill as introduced would have authorized the creation of State debt in the amount of $100,000,000. Before passage, the bill was amended to increase the authorized amount from $100,000,000 to $150,000,000. At the time of introduction it was believed that $100,000,000 would be more than could actually be expended during the first fiscal year, even though it would probably be necessary to authorize expenditure of a greater amount. It was later determined that the State could not constitutionally authorize a contract for a construction project unless sufficient bond funds had already been authorized by the Legislature. Accordingly, the amount of the initial bond authorization was increased as indicated.

CHAPTER IV

Development of a Structure to Administer the Law

As described in detail in Chapter III, the full construction cost funding law, which was enacted at the 1971 Session of the Maryland General Assembly, was quite general in nature. In effect, it simply states that as of July 1, 1971, the State will begin paying all approved construction costs; it will reimburse local governments for the costs of approved construction projects undertaken between February 1, 1971, and July 1, 1971; it will reimburse them for the full costs of debt service for obligations outstanding as of June 30, 1967; the Board of Public Works will adopt rules and regulations for the administration of the program and for the determination of what constitutes approved construction or capital improvement costs; and the existing authority of all other boards and agencies, with respect to school construction, is made subject to the rules and regulations of the Board of Public Works.

There is no specific provision for such considerations as who shall administer the program; how it shall be administered; kinds of projects which will be approved; limitations upon allowable costs; manner in which payments will be made, contracts awarded, inspections made, etc.; and the respective roles of the State Department of Education, the State Planning Department, and the State Department of General Services. All such details are to be as approved by the Board of Public Works under rules, regulations, and procedures developed by them. The greatest degree of specificity to be found in the act is, perhaps, in the paragraph which outlines the scope of that Board's authority to prescribe rules, regulations, and procedures.

A brief description of Maryland's Board of Public Works will perhaps be useful at this point. It is probably unique to Maryland. It consists of three members - the Governor, the State Comptroller, and the State Treasurer - for all of whom the duties of office impose burdensome responsibilities. The Board has a small staff consisting of nine people and relies heavily upon various officials from the Executive Branch (Secretaries of Budget and Fiscal Planning, Planning, General Services, Personnel, etc.) for the development of its agenda and evaluation of the various matters upon which it must decide. The range of such matters covers virtually all purchases or sales of property; awards of State construction contracts; awards of consultant contracts; creation of State debt as authorized by the Legislature and expenditures of funds thus derived; emergency personnel actions, such as creation of positions between legislative sessions; etc. The Board generally meets one day each month and its agenda may include in excess of 400 items.

This Board was to have final authority over the entire program which was to go into operation in less than three months following the close of the 1971 legislative session. Clearly, such a Board could not administer the program itself; clearly, it had to move promptly to establish some mechanism to expedite its approval function; and clearly, the Board had a very limited time within which to develop and adopt rules, regulations, and procedures covering all phases of the program, including the manner of its administration.

Implementation Committee Appointed

The Governor moved promptly, on April 15th, to appoint a committee to develop the rules, regulations, and procedures necessary for the implementation of the new law. This committee, consisting of fifteen members and chaired by the Lieutenant Governor of the State, included the following:

Director, School Facilities Division, State Department of Education - Vice Chairman

Two County Assistant Superintendents in charge of School Facilities

Two County Superintendents (one large and one small county)

Executive Director of the Association of Boards of Education

Vice Chairman of a County Council (large county)

County Executive (medium-sized county)

President of a County Board of Education (large county)

Secretaries of three State Departments (Budget, Planning, and General Services)

Governor's Chief Legislative Officer

Governor's Administrative Officer for Education

The Governor instructed the committee to report no later than May 15. It met on six occasions and reported to the Governor on May 14, presenting a set of recommended rules, regulations, and procedures covering eighteen items. In submitting the committee's recommendations, the Lieutenant Governor noted that, "while not every member of the committee agrees with every detail, the recommendations do reflect a broad consensus of representatives of State and local school and governmental officials." He also called attention to two areas requiring further study, viz., the construction of storage and maintenance buildings for vehicles, and requirements with respect to the maintenance of school facilities after they have been constructed.

A review of the detailed minutes of the meetings suggests that, with the exception of a few areas such as those noted, a remarkable degree of consensus was indeed achieved.

These proposed rules, regulations, and procedures, as developed by the committee, were then submitted to the local school boards and local governments for reaction. The letter of transmittal (by the Lieutenant Governor under date of May 17) noted that the action was taken at the instruction of the Board of Public Works, and in accordance with the law which requires that "proposed rules be circulated for comment by local school and government authorities prior to adoption by the Board." Comments received in response to this letter dealt largely with such details as allowances for local administrative costs, provisions for costs of equipment, submission dates for capital budgets, and the

like. Perhaps, most significantly, three subdivisions expressed disagreement with the establishment of the Interagency Committee.

The rules, regulations, and procedures under which the program was to begin operation were adopted in final form by the Board of Public Works on June 29, 1971. Because of their very considerable importance in the operation of the new program, they are presented here in full.

RULES, REGULATIONS AND PROCEDURES FOR
THE ADMINISTRATION OF THE SCHOOL CONSTRUCTION PROGRAM
(Accepted & Approved: June 29, 1971 - Board of Public Works)

1. Interagency Committee - There shall be an Interagency Committee on School Construction (hereafter referred to as the Committee), which shall consist of the Secretary of State Planning, the Secretary of General Services, and the State Superintendent of Schools, or their respective designees. The State Superintendent of Schools or his designee shall be Chairman of the Committee. All decisions of the Committee are to be by majority vote except as provided in Section 3 below. The Committee shall assemble, amend, and keep up to date an annual and a five-year program of elementary and secondary school capital improvements funded or to be funded by the State, including remodeling of school facilities as defined below. The program shall contain the estimated cost of each project.

2. Definition - Wherever in these regulations the term "local boards" is used, such term shall be construed to refer to the Boards of Education of the several counties and Board of School Commissioners of Baltimore City, except that where the Charter, local law, or Ordinance of Baltimore City allocates any function to the Board of Estimates or the Mayor and City Council, the term "local board" when used in connection with such function shall be construed to refer to the appropriate authority.

3. State Construction Program - Each local board shall submit to the Committee by January 1 of each year its updated and detailed capital improvement program for the following fiscal year, to be accompanied by a school capital improvement program for the ensuing five years, both of which shall have been approved by the appropriate local governing bodies. The Committee shall recommend approval or, in consultation with affected local boards, modification of the capital improvement programs, and forward a consolidated State program for the following fiscal year, including all proposed dispositions of improved school facilities, to the Board of Public Works, to be acted on at the Board's February meeting. In the event the Committee is unable to reach unanimous agreement on any aspect of the consolidated program, the final recommendation to the Board of Public Works shall be as determined by the Governor. Amendments to the consolidated State program which a local board deems it necessary to submit during the course of the year shall also be subject to approval by the Committee and the Board of Public Works.

4. Special Provision for Fiscal Year 1972 - The local boards shall submit their capital improvements programs for Fiscal Year 1972 along with their initial five-year programs to the Committee not later than June 15, 1971. On or before July 15, 1971, the Committee shall forward a consolidated State program for Fiscal Year 1972 to the Board of Public Works, to be acted on at the next meeting of the Board.

5. Special Payment for Fiscal Year 1972 - Although bond money is ordinarily not to be used to pay wages or salaries, it is recognized that an exception to this rule is needed during the early stages of the school construction program. During Fiscal Year 1972 only, the State shall pay to each local board an amount equal to one per cent of the total cost of eligible capital improvements approved by the Board of Public Works for that local board. Such payment shall be made in four equal quarterly payments not later than August 15, 1971; November 15, 1971; February 15, 1972; and May 15, 1972.

Funds made available by this special one per cent payment may be used by each local board to pay salaries or wages of school system employees who provide technical, supervisory, inspection or remodeling services directly related to eligible capital improvements projects. Such payment shall be in addition to any other eligible expenditures under this program and shall not be considered ineligible during Fiscal Year 1972 because of contrary provisions in Section 6(c) and 7.

6. Eligible Expenditures - The following types of capital improvement expenditures shall be eligible for State payment if approved in accordance with these regulations:

a) contracts for the construction of buildings, to include instructional, administrative, or other auxiliary support buildings other than facilities for the storage of or maintenance of vehicles;

b) the cost of purchase or lease of eligible facilities, including the cost of purchasing, leasing or installing relocatable classroom buildings, provided that all such relocatable facilities purchased under this section shall become the property of the State and may be used by a local board at the discretion of the Committee when no longer needed by the local board for the purpose for which they were originally acquired;

c) the cost of renovation of or remodeling of existing school facilities, if the remodeling constitutes an improvement to or alteration of an existing facility which will increase its usefulness or extend its life; provided that any such work which, in the judgment of the Committee, constitutes mere repair or maintenance of existing facilities shall be ineligible; and provided further that the salaries or wages of employees of school systems or of other governmental agencies shall be ineligible;

d) architectural and engineering contract fees; provided that, in lieu of architectural or engineering contracts for an eligible project, the State may pay to a local board the actual cost of provision by the local board of such architectural or engineering design services for that project, such amount not to exceed the fee schedule established by the Committee for such services;

e) the reasonable cost of initial capital equipment and furnishings necessary for placing a building in operation. In each case, the Committee shall determine what qualifies as capital equipment and furnishings, and what costs shall be deemed reasonable, based on information to be provided by local boards. In making such determination, the Committee shall give due regard to the need for flexibility and initiative in educational design. The Committee shall be guided but not bound by the definitions contained in the Department of State Planning "Instructions for the Preparation and Submission of Capital Project Requests" and the United States Office of Education "Property Accounting for Local and State School Systems";

f) the costs of razing existing on-site structures and of providing or relocating on-site utilities and improvements, including but not

limited to grading and installation of drainage facilities, power plants, sewer, water, electricity, roads, lighting, walks, parking areas, retaining walls, fences and essential landscaping; and at the discretion of the Committee, the costs of connecting to utilities and improvements along the perimeter of the site;

g) the costs of construction, where appropriate to the physical education program of the school, of athletic fields and facilities and all-weather surfaced instructional areas; provided that the State would not pay more than one-third of the cost of construction of swimming pools;

h) the cost of air-conditioning.

7. Ineligible Expenditures - No payments shall be made to any local board for administrative costs involved in developing programs, plans, specifications, or providing inspection of construction projects; provided that architectural and engineering design fees shall be eligible as described in Section 6(d) above.

The State shall not fund the costs of site purchase, off-site development projects except as defined in 6(f) above, nor relocation of former occupants of the site. The State shall not pay the cost of construction or remodeling of stadiums, lighting systems for outdoor athletic fields, or fine art embellishment mandated by local ordinance or regulation. The cost of improvements designed exclusively for civil defense or other non-educational uses shall not be eligible for State payment under this program. In any case, if a local board desires to proceed with a capital improvement all or part of which is ineligible for State funding, the Committee shall determine the added cost generated by the ineligible aspects of the project, and the local board may proceed with the project but without State funding for that added cost.

8. Cooperative Arrangements - Cooperative arrangements for sharing facilities among two or more school systems, or among educational and non-educational governmental agencies, shall be encouraged. The Committee shall determine what part of the cost of constructing such facilities is fairly allocable to educational agencies, and such part shall be eligible for State payment.

Cooperative arrangements for the use of school facilities for community or recreational purposes shall be encouraged. In every case, only that share of capital improvement costs which in the judgment of the Committee is fairly allocable to educational purposes, as distinguished from recreational or community purposes, shall be eligible for State payment.

9. Approval of Sites, Buildings, and Construction Plans

a) The Committee shall pass upon: 1) all proposals for the acquisition or disposition of school sites or buildings; 2) all plans and specifications for school capital improvement projects for which State payment of costs is sought; 3) all awards of contracts by the local board funded under this program; and 4) all change orders in excess of $5,000 on school capital improvement projects for which State payment of costs is sought. Change orders less than $5,000 may be authorized by the local board with notice to the Committee. However, if any change order

would increase the total project cost to a level exceeding that approved by the Board of Public Works for said project, such change order must be approved by the Board of Public Works.

b) No school capital improvement project shall proceed as a State-funded project until the plans and specifications shall have been approved in writing by the Committee or the Board of Public Works. If the Committee does not approve the plans, specifications, contracts, and proposals as submitted, it shall state in writing the reasons for its disapproval.

10. Appeals - Whenever a local board or governing body wishes to appeal any decision of the Committee, such party, after giving notice to the Committee, may appear at the next meeting of the Board of Public Works and, after hearing a presentation of the opposing views, the Board shall make a final determination.

11. Committee Guidelines and Procedures - The Committee shall have the responsibility for prescribing administrative procedures, guidelines, and forms to be used by local boards desiring State payment of the costs of a school capital improvement project.

12. Selection of Architects and Engineers - The plans, specifications, and related documents for each construction project must have been developed under the supervision and responsibility of an architect or engineer who is licensed or registered in the State of Maryland and approved by the Committee. Selection of the architect or engineer shall be made by the local board and shall follow established procedure except that any agreement between the owner and architect or engineer shall be in a form approved by the Committee and shall be filed with the Committee. State funding of architectural or engineering fees may not exceed the fee schedule established by the Committee.

13. Submission of Schematic Designs and Design Development Documents - The schematic designs prepared by the architect shall be reviewed by the Committee, and the design development documents approved by the local board shall be submitted to the Committee for approval. Upon approval of the design development documents, the local board shall be notified in writing, at which time it may authorize the architect to proceed with the preparation of the construction documents.

14. Construction Documents - The construction documents shall be submitted to the Committee for final review and written approval. The documents shall include all necessary approvals by appropriate State and local fire, health, and sediment control agencies, such approvals to be final except for subsequent inspection as to compliance. Approval by the Committee shall be based upon the construction documents submitted and shall not be construed to include any changes in the construction documents unless such changes are acknowledged and approved by the Committee in writing.

15. Awards of Contracts - Awards of contracts shall be made by the local board to the lowest responsible bidder meeting specifications, after the award of contract has been approved by the Committee. Each local board is encouraged to adopt procedures for prequalification of bidders on contracts and the Committee shall assist in the development of such procedures. Contracts shall be in a standard form approved by the Committee and construction contracts shall include

a performance and payment bond payable both to the local owner and to the State. The State shall not pay any fees for local building permits and shall not require any local board to obtain a building permit as a condition of approval unless the local subdivision requires it. Local boards shall be required to furnish adequate inspection of all construction projects; in the alternative, at the time of submission of its annual capital improvement program, a local board may request the Board of Public Works to authorize the State Department of General Services to provide such inspection during the following fiscal year. During construction, the Committee shall arrange for periodic inspection of the project, provided that any such inspectors shall have no authority to stop construction without authorization from the Committee.

16. Method of Payment - Each local board shall submit to the Committee, on or before the last day of January, April, July and October of every year, a projection of its anticipated schedule of eligible school capital improvement disbursements for each of the following twelve months. Advance payments on the basis of this schedule shall be made monthly to each local board; each local board shall forward to the Committee a copy of all architectural, construction, and other eligible bills, along with a certification of work actually performed, and any necessary adjustments in State payment shall be reflected in the following month's payment.

17. Construction Performed by the Department of General Services - If any local board and local governing body so request, the Board of Public Works may authorize the State Department of General Services to carry out a school capital improvements project; including architectural services and construction or remodeling. In such case, all plans and documents are to be coordinated with and approved by the local board. Payment shall be made to the Department of General Services in the manner prescribed in Section 16.

18. Emergency Situation - In the event of fire or other disaster, a local board may make application to the Board of Public Works, through the Committee, for emergency funds to pay the cost of housing the pupils or administrative personnel affected by the disaster, to the extent such costs are not covered by insurance. In such an emergency situation, the normal procedures prescribed above may be waived by the Committee. To qualify for payment under this section, a local board must maintain an insurance policy or self-insurance program previously approved by the Committee.

It should be first noted that these rules in their final form vary but slightly from those approved by the Committee on May 14. These are the only substantive changes and reflect some of the concerns expressed:

1. The dates for submission of local capital improvement programs and for Interagency Committee approval were moved up one month.

2. A new item was added allowing use of State aid funds, for the first year only and to the extent of 1% of the cost of capital improvements, for the purpose of paying the salaries of school system employees for technical, supervisory, and inspection services.

3. The original rules made the local boards responsible for inspection of construction projects. They were amended to authorize inspection by the Department of General Services (at State expense) upon request of a local board.

4. Originally, the rules gave the Interagency Committee the power to inspect periodically but its inspectors were specifically denied the power to stop construction. As amended, they can do so with Committee authorization.

These June 29th rules, which established the framework under which the new program would operate, are essential reading and require little further comment. Basically, they established the following:

(1) The Interagency Committee through which the program would operate.

(2) A requirement for a five-year capital improvements program from which the annual program would be developed.

(3) Several transitional provisions, including the one year allowance for local administrative costs.

(4) Definition of eligible and ineligible expenditures.

(5) Provision for cooperative arrangements for State payment of proportionate share of cost of facilities used also by non-education governmental agencies such as recreation.

(6) Procedures for approvals, appeals, contract awards, method of payment, etc.

(7) Inspection by State upon local request.

(8) Construction and direct payment by State upon local request.

(9) Waiver of normal procedures in emergency situations.

It will be recalled that, in addition to State assumption of construction costs after July 1, 1971, the law also calls for reimbursement of construction costs for approved contracts let between February 1, and July 1, 1971. The June 29th rules make no reference to this. By letter of April 26,

1971, the Governor had advised the heads of local governments, school boards, and school superintendents of the procedures to be followed in this regard. They were informed that such projects would be considered by the Board of Public Works at its May meeting, and that "since all of these projects have already been submitted to the School Facilities Section of the State Department of Education---no further paperwork need be submitted by local boards." In short, the approval function here was simply pro forma.

Establishment of the Interagency Committee

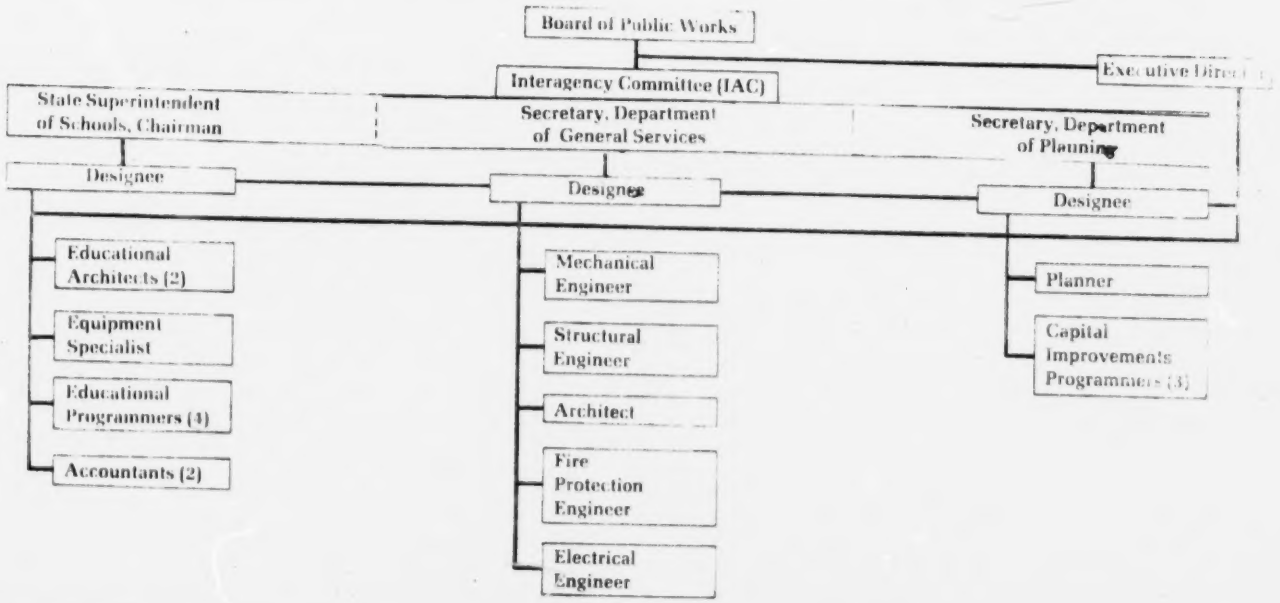
The decision contained in the rules of June 29, 1971, that may have been of greatest significance is that providing for the creation of an Interagency Committee as the mechanism through which the construction program should be administered. As noted, the Board of Public Works was given, by law, virtually absolute authority over the program through its approval and rule-making powers. In the exercise of those powers, it had the options of operating through one or more of the administrative organizations of several existing State departments, the expansion of its own staff, and conceivably, the establishment of some completely new organization. It opted for the establishment of the IAC which brings together the interests and expertise of the three State departments directly concerned with the problem - the State Department of Education, the State Department of General Services, and the State Department of Planning. The rules specifically designate the two Secretaries, and the State Superintendent as the three committee members, with the last to serve as chairman. Each of these individuals is authorized to delegate his function to a designee. While the rules make no other specific provisions with respect to any supportive organization for the Interagency Committee, the transmittal letter of the Lieutenant Governor, with which the implementation committee's recommendations were submitted to the Governor in May, included the following suggestion:

> *Finally, you will soon be making decisions about the location and staffing of the interagency committee which these regulations would establish to oversee the school construction program. While this matter is obviously one to be left to your discretion as Chief Executive, and not appropriate to include in these regulations, we do respectfully recommend the following: (1) that the committee be given adequate full-time technical and administrative staff; and (2) that the committee operate from a separate office preferably in the State Office Building in Baltimore, which also houses the three State agencies from which the committee's members are drawn.*

The Interagency Committee as envisioned and as established is set forth clearly on the chart printed on page 51. The lower half of the chart reveals the interrelationships of the Committee with governmental agencies at the various levels.

CHART B

Organizational Chart / State of Maryland Public School Construction Program



School Construction Fund Approval Process

Key: ● Action ▲ Transmittal

Local Board of Education	● Prepares annual & 5-yr. Capital Improvement Program & supporting documents	● Modifies Capital Improvement Program, if required, and upon approval by Local Governing Body, forwards it to Interagency Committee	● Implements Capital Improvement Program in cooperation with Local Board of Education
Local Governing Body	● Reviews Capital Improvement Program for conformance to local plans & budgetary constraints		● Implements Capital Improvement Program in cooperation with Local Governing Body
Executive Director & Staff of Interagency Committee		● 1. Staff reviews Capital Improvement Program of each Local Board of Education 2. Consolidates local Capital Improvement Program into State Program 3. Submits recommendations to Interagency Committee	▲ Transmits approved state Program to Local Governing Bodies
Interagency Committee		● Reviews State Program for conformance to established policies	▲ Transmits approved State Program
Board of Public Works		● Approves or modifies the State Program	▲ Transmits approved and funded State Program
State Legislature		● Appropriates funds through a bond authorization bill	

CHAPTER V

The Program of Full Construction Cost Funding in Operation

Maryland's program of full funding of school construction costs by the State had been in operation for two complete fiscal years (also school years) as of June 30, 1973. Since the statute also provided for reimbursement for approved projects contracted between February 1, 1971, and June 30, 1971, and since appropriations and allocations thereof for the 1974 fiscal year (July 1, 1973, to June 30, 1974) were made prior to June 30, 1973, we are able to now examine the results of the program for a period of roughly three and one-half years.

The Results of the Program

For this period the Maryland General Assembly has made appropriations (authorized issuance of State bonds) as follows:

1971 (1972 Fiscal Year)	$150,000,000
1972 (1973 Fiscal Year)	300,000,000
1973 (1974 Fiscal Year)	220,000,000
Total	$670,000,000

The status of these appropriations as of June 30, 1973, was as follows:

	FY 1972	FY 1973	FY 1974
Allocated to specific projects	$148,479,000(1)	$300,000,000	$220,000,000
Value of contracts approved (funds encumbered)	133,998,000(1)	129,052,000	
Actual funds expended	94,737,000	30,005,000	

A county by county distribution of the allocations for each fiscal year is presented in Table IV. Also shown is each subdivision's percentage of the total distribution in relation to its percentage of total State school enrollment and total State wealth, as measured by the current expense aid formula.

For the early years of a program such as this, practical considerations might be expected to require allocations of funds on bases other than priority of need, i.e., distribution in relation to population or distribution in proportion to source of tax revenues. The Interagency Committee may have been conscious of such considerations, but the comparisons in Table IV imply that priority of need must have been the primary basis for allocation.

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(1) Of these amounts, $38,400,000 was for Fiscal 1971 projects approved for the February 1, 1971, to June 30, 1971, period.

TABLE IV

ALLOCATION OF STATE SCHOOL CONSTRUCTION FUNDS - 1972, 1973, 1974

Local Unit	1972 Funds	1973 Funds	1974 Funds	Total 3 Years	(2) % of Total	% of Enrollment	% of Wealth
Total State	$148,478,803	$299,999,910	$220,000,000	$668,478,713	100.0	100.0	100.0
Allegany	1,728,300	8,152,500	[illegible],751,000	12,631,800	1.9	1.9	1.5
Anne Arundel	22,474,300	40,241,000	[illegible],673,000	100,388,300	15.4	8.4	6.8
Baltimore City	22,050,814	38,639,183	23,732,000	84,421,997	12.9	20.2	15.3
Baltimore	12,180,288	24,196,250	21,294,000	57,670,538	8.8	14.4	17.0
Calvert	3,929,276	2,110,886	1,497,000	7,537,162	1.1	0.7	0.5
Caroline	2,022,975	2,952,894	2,737,000	7,712,869	1.2	0.6	0.3
Carroll	1,923,940	12,720,000	3,111,000	17,754,940	2.7	1.9	1.6
Cecil	934,000	1,871,000	2,124,000	4,929,000	0.8	1.4	1.0
Charles	5,163,671	8,882,000	6,850,000	20,895,671	3.2	1.7	1.4
Dorchester	369,500	4,510,244	6,757,000	11,636,744	1.8	0.7	0.6
Frederick	8,594,000	12,048,868	7,132,000	27,774,868	4.3	2.3	2.2
Garrett	306,000	3,017,000	3,361,000	6,684,000	1.0	0.6	0.4
Harford	9,156,100	18,852,000	5,978,000	33,986,100	5.2	3.5	2.7
Howard	7,902,505	17,173,332	13,582,000	38,657,837	5.9	2.2	2.5
Kent	1,164,911	1,129,000	1,161,000	3,454,911	0.5	0.4	0.4
Montgomery	13,949,073	27,185,600	22,970,000	64,104,673	9.8	13.7	21.6
Prince George's	23,273,031	34,262,940	33,707,000	91,242,971	14.0	17.6	17.7
Queen Anne's	49,990	3,343,800	14,000	3,407,790	0.5	0.5	0.5
St. Mary's	4,243,400	4,316,000	875,000	9,434,400	1.5	1.3	0.7
Somerset	153,559	4,175,000	2,436,000	6,764,559	1.0	0.5	0.3
Talbot	252,174	2,250,000	5,000	2,507,174	0.4	0.6	0.7
Washington	5,374,921	9,004,449	8,917,000	23,296,370	3.6	2.6	2.1
Wicomico	1,124,579	9,386,335	2,474,000	12,984,914	2.0	1.6	1.3
Worcester	80,000	2,010,000	895,000	2,985,000	0.5	0.7	0.9
State Projects	77,496	7,569,629	7,967,000	15,614,125			

(2) % of total excluding State projects.

These additional data will be of interest in comparison with the total allocation figures:

	1972	1973	1974	3-Year Total
Total requests	$428,500,000	$427,518,000	$402,050,000	$1,258,068,000
Total deferred	268,778,000	156,242,000	161,382,000	586,402,000
Total denied	7,203,000	15,328,000	18,650,000	41,181,000
Total original allocations	152,519,000	255,948,000	222,018,000	630,485,000
Total adjusted allocations	148,479,000	300,000,000	220,000,000	668,479,000

While little more than half of the requests for the three years have been approved, or received allocations, only $41,181,000 has been denied. The remainder, amounting to $586,402,000, has been deferred. The cost of these deferred projects added to the remaining costs of the five-year programs submitted by the subdivisions along with their 1974 requests total $1,450,000,000. Thus the total cost of the program to the State through 1979 may be about $2.1 billion.

The appropriations and allocations of State funds shown on the preceding page do not, of course, represent all funds to be expended for those years. Local governments are required to pay the cost of purchase of sites, off-site development, some types of equipment, and administrative costs (except that a 1% of cost allowance was provided for this purpose for 1972). Further, the subdivisions may make expenditures for projects in excess of those approved by the State; or they may completely fund projects in which the State will not participate at all. An attempt was made to secure information from the subdivisions that would make possible a comparison of local expenditures for construction purposes (sites, construction, equipment, etc.) in recent years with those made prior to State assumption. This data is not presented here because it was incomplete, not on a comparable basis, and therefore not subject to analysis. From the information that was available it does not appear that there has been any substantial increase in local appropriations for construction purposes except for one or two subdivisions. There is some indication that local appropriations have increased in some instances due to payments for such items as site work and equipment from current revenues which formerly would have been financed from local bond revenues. There appears to be no significant expenditure of local funds for construction of facilities that would fall within the scope of the State program.

It should also be of interest to examine the pace of school construction in relation to prior years when the local school districts carried the bulk of the burden. The table presented previously in Chapter III on page 34 includes the only data available for this purpose for the four preceding years.

By comparing the data from this table with that presented in the table on page 53, it should be possible to gain an impression of the extent to which State take-over may have accelerated or retarded the school construction program. The data for the two tables are reasonably comparable, except for the 1972 allocations in Table IV. As will be revealed later (see Table VI, page 59) the 1972 allocations included nearly $40 million in projects that were contracted in Fiscal 1971, and this amount will generally represent duplication of the figures

for 1971 on page 34. For purposes of comparison here, then, the 1972 allocations should be reduced by this amount. As will be seen, the total 1972 appropriations under the new program were about the same as under the old for 1971. However, for 1973 and 1974 the allocations have far exceeded any prior experience.

It will be recalled that the law also requires the State to reimburse the subdivisions for the full cost of all debt service for obligations outstanding as of June 30, 1967. In order to complete the picture of the results of the program, these payments must also be taken into account. Table V shows the average combined State contribution for debt service and construction aid for the 1969 and 1970 fiscal years, which preceded the enactment of the law, with the 1973 and 1974 fiscal years under State funding. The 1971 and 1972 fiscal years have been excluded because of the overlap in appropriations for those years. On the basis of these two-year averages, total State aid has increased by $260 million or almost 500%. It is apparent through comparisons with Table IV that the total aid increases bear no direct relationship to relative wealth or size.

Development of Processes and Procedures for Administration

The law was enacted on May 24, 1971, with an effective date of June 1, 1971; the rules and regulations of the Board of Public Works, which established the Interagency Committee, were formally adopted on June 29, 1971; on July 13, 1971, the Interagency Committee submitted and the Board of Public Works approved the allocation of $150,000,000 to 226 individual construction projects throughout the twenty-four Maryland subdivisions. On its face such an accomplishment would appear to have been impossible and vast chaos might well have been anticipated. Such was not the case. As outlined in Chapter IV, the Governor had anticipated the problem of time limitation and had appointed, in April, a special task force to develop rules and regulations for the administration of the program. Although not formally adopted until June 29th, these rules and regulations had been developed by May 14, 1971, and the Interagency Committee was in operation shortly thereafter.

Dissatisfaction was expressed with respect to the first year's allocations by a number of counties. The extent of this, however, seems small in relation to that which might have been anticipated. Appeals were made to the Interagency Committee and to the Board of Public Works by perhaps five or six subdivisions, and those appeals met with some success as indicated by the fact that four subdivisions were authorized to undertake on their own the construction of 33 additional projects at a total cost of $14,207,479 for which they would be reimbursed by the State in 1973. Beyond this, the Committee and Board records indicate approval of twenty-two changes in allocations from September to November. Most of these changes represented shifts of funds between projects within a county and involved relatively small amounts. Overall, it can be concluded that the July 13th decisions (allocations) must have reflected local needs fairly well, since they held up with so little change.

TABLE V
State Aid Allocations for School Construction and Debt Service

Local Unit	Average, 1969 and 1970 Fiscal Years			Average, 1973 and 1974 Fiscal Years		
	Total	Debt Service	Construction	Total	Debt Service	Construction
Total State	$52,728,601	$22,166,361	$30,562,240	$312,906,434	$60,674,748	$252,231,686
Allegany	402,418	314,229	88,189	5,979,358	527,608	5,451,750
Anne Arundel	4,628,615	2,111,981	2,516,634	44,543,182	5,586,182	38,957,000
Baltimore City	13,060,053	4,595,932	8,464,121	44,489,328	13,303,736	31,185,592
Baltimore	5,556,288	3,641,241	1,915,047	33,662,145	10,917,020	22,745,125
Calvert	1,017,874	124,249	893,625	1,994,390	190,447	1,803,943
Caroline	440,413	182,113	258,300	3,146,863	301,871	2,844,992
Carroll	1,315,430	176,482	1,138,948	8,229,375	313,875	7,915,500
Cecil	916,878	438,113	478,765	2,806,255	808,755	1,997,500
Charles	813,322	424,205	389,117	8,745,303	879,303	7,866,000
Dorchester	138,892	138,892	-	5,972,470	338,848	5,633,622
Frederick	563,937	552,144	11,793	11,258,818	1,668,384	9,590,434
Garrett	146,663	79,501	67,162	3,307,678	118,678	3,189,000
Harford	2,528,342	662,545	1,865,797	13,934,480	1,519,480	12,415,000
Howard	1,843,161	288,709	1,554,452	16,218,796	841,130	15,377,666
Kent	409,733	18,773	390,960	1,296,996	151,996	1,145,000
Montgomery	6,667,583	2,999,740	3,667,843	33,525,573	8,447,773	25,077,800
Prince George's	8,854,051	4,045,283	4,808,768	45,398,580	11,413,610	33,984,970
Queen Anne's	185,823	87,068	98,755	1,961,682	282,782	1,678,900
St. Mary's	774,941	212,054	562,887	2,947,198	351,698	2,595,500
Somerset	131,988	85,921	46,067	3,461,122	155,622	3,305,500
Talbot	307,868	100,388	207,480	1,499,925	372,425	1,127,500
Washington	909,999	485,811	424,188	10,183,061	1,222,337	8,960,724
Wicomico	505,010	320,081	184,929	6,749,582	819,414	5,930,168
Worcester	609,319	80,906	528,413	1,594,274	141,774	1,452,500

In arriving at the 1972 allocation decisions, the Interagency Committee established the following priority categories:

Category 1 - All projects appearing on the Capital Request with a contract execution date between February 1, and June 30, 1971.

Category 2 - Design development and planning money for FY 1973 projects. Projects are funded in two ways: 1) advanced planning money (35% of the architect's fee); 2) construction document planning money (25% of the architect's fee). The cost of projects to be constructed in FY 1973 will be borne by the State if the projects conform to the IAC's rules and regulations and the funds are available.

Category 3 - Replacement of or improvement to unsafe buildings. This includes construction to correct or replace facilities which the State Fire Marshal has classified as extremely unsafe and has demanded that immediate action to alleviate this condition be taken.

Category 4 - Construction of new facilities or additions to existing ones that will provide classroom or other space to alleviate overcrowded conditions or meet a proven school population growth need.

Category 5 - Replacement and/or major modernization of existing schools which are found to be physically or educationally obsolete and the project's cost is estimated to be in excess of $500,000.

Category 6 - Modernization of existing structures with a project cost estimated to be more than $100,000 but less than $500,000.

Category 7 - Construction of auxiliary school facilities which support the regular educational operation.

Category 8 - Renovations of existing facilities with an estimated project cost of less than $100,000.

Category 9 - Construction of warehouses and other school support facilities.

Category 10- Providing additional site projects which are indirectly related to existing school facilities.

Category 11- Projects which qualify for State funding but for which there is no proven need for FY 1972. In other words, the IAC has deferred their funding until FY 1973 or later.

Category 13- Projects which have been placed in a hold status because the local boards failed to present sufficient data to the IAC to justify their funding in FY 1972.

Category 20- These projects are not eligible for State funding according to the "Rules, Regulations and Procedures for the Administration of the School Construction Program" adopted by the IAC on June 29, 1971.

Generally, these categories are listed in order of priority given to each. The first category covered projects for the period from February 1 to June 30, 1971. Since the law required reimbursement for these, they were automatically included in the allocation if they had previously been listed in the Department of Education's Capital Budget Request for Fiscal 1972. Beyond this, highest priority was given to planning funds for Fiscal 1973, replacement or improvement of unsafe buildings, classroom or other space to relieve overcrowding, and replacement of obsolete facilities. The actual allocation of funds by categories, as presented in Table VI, may reflect more accurately the application of priorities.

Almost $40,000,000 was required to cover the cost of the Category 1 projects, which were really mandated by law. Of the remaining funds allocated, $96,000,000, or nearly 85%, was to be used for construction to relieve overcrowding or to meet a proven school population growth need. Beyond this, greatest consideration was given to planning funds for projects to be constructed in Fiscal 1973.

The subdivisions requested funds for 424 projects at a total estimated cost of $436,200,000. Only 226 of these were initially funded from the 1972 appropriation. Since then an additional eight have been approved and received allocations. As shown in Table VI very few of the projects were actually denied, for the total value of projects denied was only $5,137,880. On the other hand, the value of projects deferred or delayed amounted to $270,500,000. For many of the first year requests, the subdivisions simply were not ready to proceed with construction, and planning money was all that could have been utilized in Fiscal 1972 in any event. These facts may, to a large degree, contain the explanation of the rather limited extent of apparent dissatisfaction with the program in its first year of operation.

The Committee was undoubtedly operating under severe handicaps in developing its program for Fiscal 1972. All that was then available for its guidance was the set of "Rules, Regulations and Procedures for the Administration of the School Construction Program" approved by the Board of Public Works on June 29, 1971, and presented here on pages 44 to 48. While this document covered such specific essential items as definitions of projects that would be eligible and ineligible for State funding, submission dates for project requests, committee approval authority, etc., many of the components essential to a structure adequate for the administration of a program of such scope were missing. For example, the Board's listing of eligible expenditures included "the reasonable cost of initial capital equipment and furnishings necessary for placing a building in operation." There was no definition of "reasonable cost" or "capital equipment." Obviously the Committee needed more detailed guidelines in order to arrive at acceptable decisions. This particular problem of definition continues to this day to be a source of controversy in that there is considerable disagreement with respect to items of equipment which should or should not be reimbursable. For virtually all of the items in the Board's rules, there was a similar need for the development of detailed guidelines and procedures.

TABLE VI

Public School Construction Program

FY 1972 - Funds Allocated, Deferred, or Denied by Priority-Category (3)

Priority-Category	Construction Funds Allocated	Construction Funds Deferred And/Or Delayed	Construction Funds Denied Not Eligible for State Funding
Category 1	$ 39,506,689	$ 916,828	$ 226,934
Category 2	6,832,525	161,172,260	
Category 3	5,547,899	275,750	89,776
Category 4	95,914,533	6,469,975	101,340
Category 5	2,723,553	16,458,378	12,000
Category 6	1,032,900	5,321,038	
Category 7	806,000	3,797,197	
Category 8	206,600	2,477,729	
Category 9		4,368,800	
Category 10		471,650	
Category 11		48,085,484	
Category 13		20,712,940	
Category 20			4,707,830
TOTALS	$152,570,699 (4)	$270,528,029	$5,137,880

(3) Effect of adjustments made after January, 1972, have not been included.

(4) Only $150,000,000 was authorized for 1972. This amount includes $4,044,905 for area vocational schools to be funded under other bond authority, and excludes $1,474,197 allowed for costs of local administration during the first year

Within the two years that had elapsed since the initiation of the program, many of the structural gaps existing in the Spring of 1971 had been closed and the Committee was in a position to approach the development of its 1974 fiscal year program on a more rational basis. It has available a fairly comprehensive and printed "Administrative Procedures Guide" covering all aspects of the program. It includes step-by-step procedures, the various forms to be submitted for project applications and the like, instructions for preparation of forms and other detailed information relating to the following four phases of project development:

Phase I. Programming, which covers the development of each Local Education Agency's comprehensive master plan; the development of a five-year capital improvements program by each subdivision; the development of the annual capital improvements program; selection and approval of architects; and selection and approval of sites.

Phase II. Planning, which describes the project planning process, and the development of educational specifications, including schematic designs.

Phase III. Construction, which relates to detail design development review, construction documents review, bidding and change orders, and procedures for finance and construction operations.

Phase IV. Evaluation. This section is still under development.

The published Procedures Guide also contains directions relating to such additional matters as disposal of property, emergency situations, and appeals procedures. Sections relating to management procedures and maintenance are also under development.

Other informational, procedural, and regulatory materials developed by the Committee and incorporated in the guide include:

A. Rules, Regulations and Procedures for the Administration of the School Construction Program

B. Guidelines for Remodeling

C. Guidelines for Landscaping

D. List of Eligible Equipment

E. Guidelines for the Development of a Local School Facilities Master Plan

F. Guidelines for Feasibility Study for Modernizing an Existing School Facility

G. Minimal School Sites Criteria

H. Statewide Costing Procedure for FY 1974

I. Educational Specification Format

J. Guidelines and Checklist for Justification of Vocational Facilities

K. Section 30a to Article 77 Annotated Code of Maryland

L. Major Categories of Space

M. Wall Plaque and Construction Sign

N. Interim Maintenance Guidelines

O. Project Numbering System

P. Section 130 A (d-1) to Article 77

One exhibit from the Procedures Guide is presented below in full, for it is believed to be particularly significant in relation to the purposes of this report. This outline of procedures and responsibilities for a capital improvement project in the State construction program reveals very clearly the authority, responsibility, and interrelationship of State and local governments and their various agencies.

*1.3 OUTLINE OF PROCEDURES AND RESPONSIBILITIES FOR A SCHOOL CAPITAL IMPROVEMENT PROJECT IN THE STATE SCHOOL CONSTRUCTION PROGRAM **

a. Project Approval (IAC & BPW)
(1) Submission to IAC by LEA on October 1 as part of annual construction program (Revisions allowed until January 1)
(2) Review and recommendation by IAC (October 1 - February 1)
(3) Tentative project approval by BPW (February)
(4) Funded by Legislature (February - April)
(5) Allocation for project available (July 1)

b. Site for Specific Project (DSP & IAC)
(1) Submitted by LEA for approval to acquire or to confirm
(2) Review and approval to purchase by IAC
(3) Purchase by LEA
(Note: Site may have been purchased prior to project approval)

c. Architect - Engineering Consultants for Design (DGS & IAC)
(1) Selected by LEA
(2) Approved by IAC
(3) Agreement drawn up between LEA and architect and approved by IAC

d. Educational Specifications for Particular School (SDE)
(1) Compiled and written by LEA
(2) Reviewed and accepted by IAC staff

e. Schematic Drawings (SDE)
(1) Submitted by LEA
(2) Reviewed and approved by IAC staff

f. Design Development Drawings (DGS)
(1) Submitted by LEA
(2) Reviewed and approved by IAC staff

g. Construction Documents (DGS)
(1) Submitted by LEA
(2) Reviewed and approved by IAC staff
(3) Approved for bidding by IAC staff

h. Bidding and Contract Award (DGS & IAC)
(1) Project bid by LEA
(2) Bids tabulated and submitted to IAC for approval
(3) Contract awarded by LEA
(4) Contract approved and signed by LEA & IAC

i. Construction (DGS, IAC, & BPW)
(1) School constructed under direction of LEA
(2) Inspection of construction by local and State inspectors
(3) Change Orders submitted to IAC
(a) Eligible change orders under $5,000 approved before the fact by LEA with report to IAC
(b) Eligible change orders exceeding $5,000 must be approved by IAC prior to execution.
(4) Changes in project that cause allocation to be exceeded must be approved by the BPW

* *Abbreviations Used Above:*

LEA - Local Educational Agency
IAC - Interagency Committee for School Construction
BPW - Board of Public Works
DGS - Department of General Services
DSP - Department of State Planning
SDE - State Department of Education

Now that reasonably complete guidelines have been developed, a brief examination of the 1974 allocation experience in relation to that of 1972, previously described, may be of interest. On February 1, 1973, Local Superintendents, Boards of Education, Local Government Officials, and State Legislators were notified by the Interagency Committee of the recommended allocations for 1974. The total allocations amounted to $220,000,000, which was the sum ultimately approved by the General Assembly. The Committee had considered requests for a total amount of $402,000,000 to cover 394 projects. Two hundred fifty-eight projects were approved, 126 were deferred and 10 denied. Most typically, the reason given for deferral was "limited funds." Denials were mostly due to ineligibility under the equipment and renovation guidelines.

The February 1st notice also contained the advice that the Board of Public Works would hear appeals at a special meeting on February 20th. Two subdivisions appeared before the Board to appeal the denial of seven projects. The Interagency Committee was upheld with respect to five of the projects and reversed in two instances. This suggests either that differences between the subdivisions and the Committee had been resolved prior to presentation of the program to the Board or that the development of more complete guidelines was resulting in fewer ineligible submissions.

CHAPTER VI

Evaluation of the Program After Two Years of Operation

The preceding chapter, which describes the present operation of the program, indicates that it is working. The Legislature has appropriated to date a total of $670,000,000, all of which has been allocated to specific projects; as of June 30, construction contracts in the amount of nearly $263,000,000 had been approved; and roughly $125,000,000 had been expended. It has been suggested that the administrative agency (IAC) has made considerable progress over the two-year period toward development of effective operational structure and procedures. It has been implied that local acceptance of (or perhaps resignation to) the program has become more general. To this point, however, little has been presented to throw light upon the issues of how well the program is working in relation to the previous locally funded program and the relative advantages of the two approaches. These, of course, are the crucial issues and those for which this final chapter will attempt to furnish illumination.

An effort has been made to identify the problems and concerns which have arisen; to determine the extent to which these have been resolved or remain unresolved; and to enumerate and appraise the apparent or claimed accomplishments of the program. To elicit information with regard to these matters, questionnaires were distributed to local superintendents of schools, local and State school boards, local government agencies and chief executives, architects, and contractors. Personal interviews were conducted with persons having principal responsibility for the program, viz: members of the Board of Public Works; members of the Interagency Committee and their designees; the Lieutenant Governor who chaired committees for the initial implementation of the program and later evaluation; the Governor's Administrative Officer for Education; and the Executive Director of the Maryland Association of Boards of Education. Minutes and correspondence of the administrative agencies and the various organizations and committees concerned with the program were reviewed. The initial and subsequent legislation was analyzed.

Problems and Concerns Identified

I. As revealed by enactment of original legislation:

A. Suggested by amendments to bill as introduced. - As described in Chapter III, there were relatively few amendments. Most were designed to strengthen the hands of the local school authorities in the administration of the program, a clear expression of concerns about loss of local control of school construction and over-centralization of authority in the State - the local autonomy issue.

B. Indicated by discussion and debate preceding enactment. - The source here is primarily personal recollection.

1. The school construction program would become politicized (pejorative sense) with reference to such matters as appointments of architects, site purchases, location of schools, and allocation of funds.

2. Local needs would not be met as adequately with priorities established at the State level and under State funding limitations.

3. The increased bureaucracy and red tape would slow down the construction program.

4. Costs would be increased; and, as a result, fewer schools would be built because of delays, application of prevailing wages, etc. (The belief was expressed by a few legislators that the principal motivation behind the legislation was the extension of the application of the prevailing wage law, along with increased patronage in appointments of architects and engineers.)

II. As revealed by subsequent legislation considered by the General Assembly:

Other than the annual bond bills (appropriations), very few pieces of legislation relating to school construction (about 10) have been introduced in the two sessions of the General Assembly since the enactment of the original bill in 1971. None have been enacted, but their introduction is indicative of concerns about the program. Attempts were made to:

A. Transfer the majority of the powers conferred upon the Board of Public Works back to the State and Local Education Agencies. (The local autonomy issue.)

B. Provide for the allocation of funds by statutory formula.

C. Clarify the roles of State and local authorities.

D. Establish local maintenance requirements by law.

E. Exempt school construction from prevailing wage requirements.

F. Correct an assumed inequity in State reimbursement for debt service for local debt incurred after June 30, 1967, to pay for contracts let prior to that date. (This was basically unrelated to the new construction program.)

G. Disposition of funds realized from sale of school facilities paid for by the State and no longer needed.

III. As revealed by survey made by the Maryland Association of Boards of Education (MABE):

In the Summer of 1972, the Maryland Association of Boards of Education appointed a Liaison Committee to meet with the Interagency Committee to discuss ways of improving the school construction program. Upon instruction of this committee, the Executive Director of MABE, on August 2, 1972, sent a questionnaire to board presidents and local school superintendents asking them to list problems encountered and suggestions for improvements. All subdivisions responded; and their many concerns and suggestions were summarized in a letter dated December 1, 1972, to the Interagency Committee from the Chairman of the Liaison Committee, as follows:

This letter reflects some of our major concerns which center around seven major areas:

1. *Delays in construction*

2. *Red tape--increased staff time for increased paperwork required by IAC*

3. *Uncertainty as to proper procedure for various phases of construction*

4. *Confusion as to which state personnel has authority for advice or decisions in particular subject areas, due to conflicting directions within state construction offices*

5. *Lack of understanding by IAC officials of local educational problems and priorities*

6. *Implementation of guidelines contrary to original intent with resulting decline in local control of own projects*

7. *Tendency of some IAC personnel to dismiss local know-how as inferior with pressure on counties to conform with state preferences*

Other concerns reflected the need for more state funds for items such as inspection, equipment, earlier renovation, contingency funds, etc.

More recent concerns regard problems arising from the adherence to prevailing wage scales and changing guidelines for local maintenance funding.

The recommendations reflect six major areas:

1. *Roles within IAC should be refined so that the educational section (or the State Department of Education) would have authority over all school construction decisions with specific designation of authority for all IAC staff members*

2. *Review all revisions of procedures and guidelines with local school systems prior to their adoption*

3. *Send written notice of decisions to all affected parties, including other divisions within IAC*

4. *Delegate authority for change orders which meet IAC guidelines (up to a specified amount) to local school systems*

5. *Permit local school systems to select own materials as long as within budget unless IAC shows cause why materials are denied with specific evidence of demonstrated product deficiency*

6. *Consult with local school systems to determine effectiveness of State School Construction Program and to maintain adequate flexibility to meet local needs*

In anticipation of a meeting between local officials and the Interagency Committee to discuss ways of improving the construction program, the Executive Director of MABE mailed out a follow-up questionnaire on January 12, 1973, requesting information regarding additional problems arising subsequent to the August 2nd inquiry. Only a third of the subdivisions submitted additional problems or suggestions, most of which were of the nature summarized in the letter quoted above. However, one new subject of general concern was introduced. On November 9th, the Interagency Committee adopted new guidelines relating to local requirements for maintenance of school facilities. In effect, the local school district would be required to appropriate annually for the maintenance of schools an amount equal to 2½% of their value. Six of the eight respondents expressed strong objection to this requirement, the principal complaint being that it would result in local tax increases as great as 52¢ per $100 in one instance.

In summarizing these same LEA reactions to the operation of the construction program for a meeting of a Governor's Committee to evaluate the program, members of the Governor's staff stated the following:

> *A considerable disparity exists among local superintendents in their evaluation of the administration of the program. Their value judgments range as follows:*
>
> 1. *Seven responses were basically complimentary and contained little or no recommendations for change or improvement in I.A.C. operations.*
>
> 2. *Eight were generally favorable in their summary comments, but offered suggestions for major changes in operations.*
>
> 3. *Seven were generally critical and suggested major changes in operations and basic administration. Three of the five largest school systems are in this group.*
>
> *An analysis of the problems enumerated and the suggestions offered for improvement can form a partial agenda for the group's consideration. After a period of 18 months, the Board of Public Works Guidelines apparently need further amplification and amendment. An analysis of the comments indicates a strong desire on the part of local school officials to see the program operate successfully.*
>
> *The major categories of concern are as follows:*
>
> *I. Procedural Delay in Decision-Making*
>
> *By far, the most often discussed problem is in this area. This "delay" factor takes several forms. Several Local Education Agencies complain bitterly about the inordinate amount of paper work. Within this difficulty there emerges an impression that procedural changes catch L.E.A.s unprepared. This problem, if substantiated, runs contrary to the Governor's public declarations in 1971 that unreasonalbe delays in processing projects should not occur.*

II. *Imposition of State Officials' Decisions on Locally Determined Educational Needs*

Most respondents recognize some aspects of this problem are inevitable. The basis of the conflict is the State's fiscal limitations versus the L.E.A.'s educational requests. It would appear from the tone of the criticisms that much progress still needs to be made toward a clarification of interagency roles. In securing solutions to this general problem, local school officials would be concerned about standardization of the facilities. Several L.E.A.'s recognized this possibility and expressed their concerns.

III. *Application of B.P.W. Guidelines*

It would appear that there have already been "de facto" changes in the Guidelines. Many superintendents referred to problems that appeared to be outside of the letter and intent of the Guidelines as originally promulgated. Undoubtedly, unforseen conditions have necessitated change, but there is an allegation that in some instances they have been made unilaterally. Several superintendents felt that an assessment was necessary of I.A.C. operations after eighteen months.

IV. *Questions on Funding Categories*

Discrepancies have apparently arisen over inspection costs, questions of renovation versus maintenance, and local code requirement costs. Of particular concern is the requirement for increased local staffing necessary to perform the I.A.C. requirements, particularly, in smaller school systems. In FY 72, 1% of the tot.. local allotment was allocated for this purpose. This category is somewhat related to III, but is one that may lend itself most readily to solutions. As an aside -- gained from studying the 22 responses in general -- there may now be enough experience in the I.A.C., after hundreds of project evaluaitions, to establish basic levels of State support within reasonable perameters from which the L.E.A. could make its own individual project allocations, particularly, in renovation and special project areas such as auditoriums and elementary gymnasiums.

The area of funding various equipment costs seems mired in disagreement. A solution to this problem probably lies in the area of reasonable percentage allocations on a categorical per pupil basis. In this way the L.E.A. and the I.A.C. would not get bogged down in hassels over individual equipment items.

V. *The Problem of Prevailing Wage Rates*

This problem, which will have a direct bearing on the overall costs of construction, has now reached the courts in Prince George's and Montgomery Counties. The Montgomery County case (Pioneer Builders, Inc. et al versus Marvin Mandel, et al -- Equity No. 40740) is before Judge John P. Moore.

IV. As revealed by the deliberations of the Governor's Committee to Review the Operations of the Interagency Committee on Public School Construction:

On September 28, 1972, the Maryland Association of Boards of Education, at its annual convention, adopted the following resolution:

> *NOW THEREFORE BE IT RESOLVED, that the Maryland Association of Boards of Education requests the Governor to reconvene the Commission on Rules and Regulations for the State Public School Construction and Capital Improvement Program (Lee Commission) to review the progress and procedures of the State School Construction Program since its inception in 1971, and*
>
> *BE IT FURTHER RESOLVED, that the Commission be instructed to secure and consider the concerns of the Maryland Association of Boards of Education and the local superintendents of schools with respect to the administration of this program.*

The Governor agreed with this objective, but chose to establish an informal panel to be chaired by the Lieutenant Governor. By letter of January 10, 1973, this panel was set up and it included a total of twenty-six members, nine drawn from State agencies and seventeen representing the local subdivisions. Of the local members, twelve were connected with the school systems and five represented general local government. Of the nine State members, seven were drawn from the Interagency Committee and staff.

The panel held a series of three meetings on January 29, March 12, and April 23. While a review of the discussions from the minutes reveals no additional problems or concerns beyond those stated in response to the MABE questionnaires, it does throw light upon the intensity of feeling regarding specific problems and thus their relative significance.

The tone of the first meeting is suggested by an early statement of a local superintendent charging the IAC with being arbitrary in its decisions, with interference in local matters, with displaying an attitude of distrust toward local staff people or requiring unreasonable detail, and with excessive delays in project approval. "Who," he concluded, "is going to make the educational decisions - I.A.C., or the local education agency?" Local control or autonomy seemed to be the overriding issue. Later comments by others called for a "clarification of agency roles" and decentralization of the I.A.C. review process. Beliefs were expressed that "the education arm of the I.A.C. should be strengthened, " and that an excessive review of detail took place at the I.A.C. level.

One item, which appears to have been a major irritant, seems to have been resolved at this first meeting. The Board of Public Works' guidelines require I.A.C. approval for construction change orders over $5,000. It was contended that the I.A.C. was involving itself in decisions concerning items for less than that amount. A clarifying amendment to assure that the I.A.C. would under no circumstances be so involved was agreed upon.

At the first meeting there were indications that the process of developing and securing approval of educational plans (schematics) was responsible for much of the delay and conflict. The second meeting, on March 12, was

devoted, largely, to discussion of this matter. Specific problems noted were the absence of, or piecemeal development of, guidelines; differences between problems of large and small communities; and the question of whether local guidelines and master plans, when such exist, should prevail when in conflict with State guidelines. A representative of the Maryland Society of Architects met with the panel and called for better communication between the I.A.C. and architects and engineers. He also called for an upward revision of fee schedules.

The third and final meeting of the panel began with a discussion of "Proposed Changes in I.A.C. Operating Procedures." Problems discussed, as presented by the Committee agenda, were the method of payments by the State to the subdivisions and disparities in architects' fees among the subdivisions. Both appear to have been headed toward resolution by agreements reached at the meeting. Perhaps of most interest is the fact that when the Chairman called for further recommendations for changes in the I.A.C. operating procedures, none were offered.

The remainder of this meeting was devoted to discussion of differences regarding the question of what equipment should be funded by the State. There was evidence of disagreement between State and local representatives, and within each group. It appears that this issue is far from resoltuion, but it was resolved for the moment by appointing a superintendent to draw up a list of disputed items for presentation to the I.A.C. for further deliberation.

Individual expressions at the close of the final meeting were devoid of any of the acrimony in evidence at the first. Spokesmen for both groups expressed to the writer the belief that the bulk of the problems were either resolved or headed toward resolution. Both expressed a strong feeling that further legislation was neither needed nor desirable.

V. As revealed by Legislative Committee deliberations:

Various committees of the Legislature, particularly the Senate Finance, the House Appropriations, and the Joint Subcommittee on the Capital Budget, have from time to time raised questions about the program. The recommendations contained in the report of the Joint Chairmen of the Finance and Appropriations Committees on the 1974 Budget and Bond Bills reveal some of their concerns. The Committees wished to determine whether or not the program is meeting its goals. They requested the I.A.C. to "determine (1) the number of pupil spaces by type and location and the support areas that will be needed by 1980 giving due consideration to population trends and changes in direction in the education fie ., (2) the manner in which this need will be satisfied (by new construction or renovation of existing space) for each of the political subdivisions, (3) the rate at which these needs can be met, (4) the estimated annual cost of this program, and (5) the total cost of the program through fiscal year 1980." The unstated question behind this request may well be: To what has the State committed itself?

This report also recommended that the "Board of Public Works consider revising its guidelines to permit the redistribution of allocated funds from subdivisions which are unable to use them within 18 months to other subdivisions which can, provided no subdivision is allocated more, or less, than its entitlement over the life of the program." It also recommended that "the Joint Subcom-

mittee on the Capital Budget review the total long-term debt of the State and evaluate its impact on the State's financial condition."

At a joint meeting of the Senate Finance Committee and the Capital Budget Subcommittee held on August 29, 1973, the Executive Director of the I.A.C. reported on the legislative recommendations outlined above. These additional issues were raised by legislators at that time:

1. The air conditioning of existing schools.

2. Reasons for higher construction costs in some areas of the State than in others.

3. Variation in fire and other codes throughout the State.

4. Management of State funds paid to subdivisions prior to actual need - are such funds earning interest?

5. Standardization of design.

6. The use of relocatable schools.

7. Year-round use of school facilities.

VI. As revealed by responses to questionnaires by Local School Superintendents and School Boards (distributed by author in Summer of 1973):

Local School Superintendents and School Board Presidents were asked to respond to questions in three general areas, viz: overall evaluation of the program; problems encountered; and changes they would suggest. Replies were received from twenty-two of the twenty-four Superintendents, and from nine Board Presidents. In a number of instances, it was indicated that the Local Board President collaborated with the Superintendent in his response.

Responses to these questionnaires are of particular interest in view of the fact that they were requested about one year after a similar survey was made by the Maryland Association of Boards of Education. There is a marked contrast between the two sets of responses in that the later one reveals fewer problems and a considerably higher degree of acceptance overall. Since our only concern here is the listing of problems revealed, the significance of this change will be discussed in detail later in this chapter. Here it will only be noted that roughly half of the subdivisions reported either no dissatisfaction or problems of such minor nature as to imply virtually unqualified endorsement.

These were the problems listed by the Superintendents as of the Summer of 1973:

1. Coordination is lacking between the three agencies that make up the I.A.C.

2. Change orders under $5,000 are sometimes questioned.

3. Buildings take longer to plan and construct.

4. Approved equipment list is not broad enough.

5. Provision is needed for variation in gross square-footage allotments.

6. State should fund necessary off-site improvements.

7. Outdoor physical education facilities are not being funded.

8. Accounting requirements (separate appropriation accounts) need to be changed.

9. Funds for full-time State Inspector are denied.

10. There is lack of uniformity in approval between subdivisions for such projects as renovations, air conditioning, noninstructional facilities, etc.

11. State should pay for sites - creates inequity.

12. Program needs should control building area requirements rather than per pupil footage allotments.

13. Supportive data requirements place tremendous burden upon local staff.

14. Major maintenance requirements should be funded by the State.

15. New requirements are applied "post facto".

16. There is conflict between local and State fire protection requirements.

17. State fails to fund joint use facilities, viz: recreation, community use, and civil defense.

18. Months are required for change order approvals.

19. Bureaucratic red tape is increasing.

20. State payments are not advanced in time to meet local requirements.

21. Regional centers are needed for administration of program.

22. Too much time is required for review of programs, plans, and sites.

23. Local authorities should have greater voice in design decisions - education programs being effected.

24. State is moving toward placing ceiling upon level of State funding.

25. Policies and procedures are too cumbersome and restrictive - State staff review excessive and time consuming.

26. Local Boards should be allowed to award contracts without State approval, if within allotments.

27. State Capital Improvement Program submission is out of phase with County Capital Improvement Program.

28. Financial accounting is made difficult due to fact that appropriations are often different from authorizations - accounting should be by project rather than fiscal years.

29. Need for facilities is determined at State rather than local level.

An attempt was made to include in the foregoing list only the different problems raised although a number of them were the subject of repeated reference. Greatest emphasis was given to the extension of State funding to include more equipment, more maintenance projects, sites, off-site improvements, etc.; burdensome requirements for the various submissions; and undesirable delays resulting in slowing down the process.

School Board Presidents who responded independently listed these problems and concerns:

1. State should assume major maintenance costs.

2. Process of getting schools built is more complicated and more time is required to complete projects.

3. Differences in pupil capacity requirements for special education, kindergarten, vocational education, and other programs are not clearly defined.

4. State funding of more equipment, swimming pools, and off-site improvements should be considered.

5. Counties which experienced their growth in the past are now bearing a double burden.

6. State should furnish equipment under a dollar allotment per pupil.

7. I.A.C. should be enlarged and the Executive Director should be given greater authority in order to make program more effective.

VII. As revealed by questionnaire responses of local government officials (County Executives or Chief Administrative Officers, and Presidents of County Councils or County Commissioners):

On June 13, 1973, local government officials, other than L.E.A.s, were invited through means of a questionnaire to present their evaluation of the program. Since the inquiry was mailed to the chief executive officer and the principal legislative officer of each subdivision, a total of 48 responses was possible. There were twenty-two returns. Again, however, it is apparent that in a number of instances the local officials decided that a single response from a subdivision was sufficient. It is, therefore, significant to note that there were returns from eighteen of the twenty-four local governments.

One-half of the respondents expressed satisfaction with the program and stated no problems or concerns. The following were noted in nine returns:

1. The 2½% maintenance requirement proposed by the State would result in a prohibitive cost to the county.

2. State funding for furniture and equipment should be expanded.

3. Too much time is required for review of programs, plans, and sites.

4. Three agencies involved should have closer alignment of policies.

5. Policy changes should be presented to local governments before adoption by Board of Public Works.

6. There is ambiguity concerning disposition of property no longer needed for school purposes.

7. Decisions concerning funding of administrative facilities and maintenance are questionable.

8. Project approvals are not always firm.

9. Supportive data requirements are unreasonable.

10. Greater reliance should be placed upon judgment of L.E.A.s.

11. Local governments are no longer involved in process - school officials now free to "grab as much as possible."

12. While program is beneficial, local needs are not being met adequately due to insufficient allocations, inflexible guidelines for such projects as code correction and modernization, and policies and procedures insensitive to special needs of densely populated urban area.

13. Exclusion of sites from State funding creates inequities due to cost differences.

14. Architects' fees in excess of State scales were disallowed for contracts let prior to July 1, 1971.

15. Early submission date for requests precludes review by county governments.

16. Local governments are denied authority to determine priorities.

17. There is no provision for upgrading and maintenance of existing facilities.

18. There is need for professional competition in design contracts.

19. Failure to assume all outstanding local debt creates inequity.

20. Certain types of projects are approved for some subdivisions and not for others.

VIII. As revealed by questionnaire responses of architects:

According to the President of the Maryland Society of Architects, there are more than 500 licensed architects employed by over 170 firms in the State of Maryland, and half of these firms work on State school projects. No attempt was made to canvass this entire group. Instead, the President of the Society was asked to supply a selected list of firms active in school design. Question-

naires were distributed to twenty-three architectural firms from the list furnished. No attempt was made to establish a truly representative sampling. Nonetheless, this additional viewpoint is worth consideration. The sixteen respondents called attention to these problems:

1. Administrative policies pertaining to architectural services and fees need to be reviewed and adjusted.

2. The architectural contract should be reviewed and updated.

3. There is difficulty in resolving differences between two clients - the State and the L.E.A.s.

4. At least a year of school construction time has been lost in the "start up" period. Time from project request to contract award has been stretched out. Increase in time and more detailed submission requirements have not been reflected in fee adjustments.

5. Policies and procedures have been developed without sufficient input from all affected parties.

6. Lower echelon I.A.C. staff members take attitude that judgment of local boards and their consultants is suspect.

7. "Super-safe" interpretations of fire, health, and safety codes has resulted in increased costs.

8. Change order procedure is troublesome.

9. The facilities program needs to be agreed upon by State and county before designs are undertaken by the architect.

10. The implementation of wage rates has raised construction costs.

11. The requirement of laying out furniture without compensation is causing problems.

12. Increasing tendency toward regimentation and standardization could inhibit architectural expression.

IX. As revealed by questionnaire responses of construction contractors:

As in the case of architects, no attempt was made to construct a truly representative sample for the purpose of assessing the reactions of this group. Instead, reliance was placed upon selected lists of contractors furnished by the two principal organizations which represent them in Maryland - the Associated Builders and Contractors of Maryland, Inc., and The Baltimore Builders Chapter of the Associated General Contractors of America, Inc. These two organizations are generally described, respectively, as "non-union" and "union."

A total of 46 questionnaires were distributed and 20 replies were received. These problems and concerns were cited:

1. The State of Maryland could be better served through a process of "Construction Management." 10% to 30% could be saved through this method.

2. The State should set up an appeals board to handle claims.

3. There is need for a uniform set of General Conditions, Special Conditions, and Bid Procedures.

4. The program has resulted in delays in contract award time.

5. Some contractors are no longer bidding because of overhead burden of reporting required by prevailing wage law.

6. Extension of award time from 30 days to 60 days places general contractor in a difficult position.

7. Fear is expressed of increasing political activity in selection of professional consultants.

8. Costs are increased by institution of prevailing wage rates.

9. Change order approval is slower.

10. Local approval of change order limits should be increased to $10,000.

11. State assumption has resulted in time delays, added cost, and inconvenience.

12. This move is toward State centralization of power and money. Better results are obtained through decentralization.

13. More lead time is needed on all contracts.

The greater number of responses (13) was received from members of the non-union association, and all but two of these took strong exception to the application of prevailing wages.

X. As revealed through personal interviews with officials having major responsibility for the program:

As mentioned at the beginning of this chapter, during the months of June and July of 1973 the following individuals were interviewed and asked to evaluate the program in terms of achievements, problems encountered, and changes they would propose:

Members of the Board of Public Works:

The Honorable Marvin Mandel, Governor
The Honorable Louis L. Goldstein, State Comptroller
The Honorable John Luetkemeyer, State Treasurer

Members of the Interagency Committee:

Dr. James A. Sensenbaugh, State Superintendent of Schools
Mr. George R. Lewis, Secretary of General Services
Mr. Vladimir Wahbe, Secretary of State Planning

The Honorable Blair Lee, III, Lieutenant Governor of Maryland
Mr. Fred Spigler, Governor's Administrative Officer for Education
Dr. Charles W. Willis, Executive Director of the Maryland Association of the Boards of Education

Concern was expressed by one or more individuals with regard to these problems:

1. Agreement should be reached with respect to the extent of State funding for equipment.
2. Acceptable limits to be placed upon funding of renovation and major maintenance projects should be determined.
3. Competent staff is needed in the small subdivisions.
4. Adequate and realistic planning is needed at the local level - overstatement of needs.
5. Architects and contractors should be directly responsible to the State for effective program.
6. There is need for adequate maintenance of facilities after construction at State expense.
7. The extent of the State's commitment is presently unknown.
8. The restraint formerly imposed by the local fiscal authorities is lost.
9. Time to set up the program was insufficient.
10. Greater emphasis should be placed on relocatable buildings.
11. Local governments should bear a greater share of the cost.
12. Greater consideration needs to be given to year-round use of facilities.
13. Architectural fees paid by local governments have been in excess of State fees.
14. The State should have known what needs were before starting program.
15. Inspection should have been retained as State responsibility.
16. Because of variation in costs, site purchases should be funded by the State.
17. There is an enormity of program in relation to size of State staff.
18. Large subdivisions object to review or direction by a State agency.
19. Policy inconsistencies result from differences in opinions of local elected officials and school boards.

20. Acquisition of sites under State Open Space Program for use as school sites should be considered.

21. There was an initial lack of adequate guidelines in some areas.

22. Funding of noninstructional facilities is needed.

23. The impact of the program upon State debt is unknown.

Not all of the problems listed above were recognized by all individuals interviewed; and opinions with respect to solution, in a number of instances, covered the full range of possible alternatives.

The Central Issues

The foregoing lengthy recitation of problems from ten different sources, repetitious as it is, will surely result in a magnification of their significance unless reduced to the relatively small number of basic concerns to which virtually all are related. The following fundamental issues can be identified:

1. The local autonomy issue - Has there been an unnecessary and undesirable decrease in local control, with a corresponding increase in State control?

2. Has State assumption retarded the construction program because of inadequate start-up time, imposition of unreasonable requirements, lack of coordination between State agencies, etc.?

3. Has State assumption increased costs due to delays, imposition of unreasonable standards, the application of prevailing wages, etc.?

4. Should the scope of State funding of school construction be extended to cover more equipment, more major maintenance projects, sites, off-site improvements, all local inspection, facilities for joint school-community use, air conditioning in old as well as new schools, the full cost of swimming pools, outdoor playground equipment, and non-instructional facilities?

5. How can adequate maintenance of facilities be assured when constructed by the State?

6. What is the extent of the financial obligation the State has assumed and what impact will it have upon State debt?

7. Is there danger of politization of the process as a result of State assumption?

8. Can State and local roles be satisfactorily defined for the various phases of construction, viz: educational planning, determination of priorities, etc.?

9. Has State assumption resulted in uneven treatment of the subdivisions in size of allocations in relation to needs, tax contributions, types of projects approved, etc.?

10. Has the program resulted in unrealistic local demands, is local planning adequate, and have financial restraints been lessened because of reduced involvement of local fiscal authorities?

It can be argued, reasonably, that these ten items do not encompass all of the significant concerns expressed in the preceding pages. However, careful review of debatable items may suggest that they are matters relating to school construction generally rather than the issue of State cost assumption specifically.

Analysis of the Central Issues - Progress Toward Resolution

(1) The local autonomy issue - It seems clear that there has been an increase in the amount of control the State exercises in the construction of school facilities and a corresponding decrease in local independence of action. Any doubt on this score should be removed by comparing the control exercised by the State Education Authority in prior years, as described in Chapter I, with the present State control as outlined in Chapter V. Some extension of State authority must be implicit in the act of assuming costs. If the State is to be responsible for the bills, it must assure itself that the expenditures are needed and that the bills rendered are accurate. The question here, perhaps, is whether there has been an unreasonable or harmful shift in authority, or whether the shift may have indeed been beneficial.

The individuals interviewed generally expressed the belief that no local authority of real significance had been diminished. As expressed by one, "they have lost no power that they shouldn't have lost." The questionnaires to local school superintendents included a query with respect to the impact of the program upon local control. Of the twenty-two respondents, only twelve reacted to this particular question. Six of these indicated no adverse effects. While the other six expressed varying degrees of anxiety, only one or two seem to regard it as a major problem. It is not unreasonable to conclude that roughly three-fourths of the superintendents (those who did not reply to the question and those who reported no adverse effects) do not see this as an issue. The remaining one-fourth expressed worries ranging from mild to serious and these opinions came primarily from the larger suburban subdivisions. By and large, the complaints related to the manner in which the increased State authority is being exercised rather than the philosophical question of local control of schools.

The local school authorities still select and purchase their own sites, appoint the architects, determine their building needs, award construction contracts, inspect construction work if they so choose, pay the bills from funds advanced by the State, approve change orders, etc. All of these actions have always been subject to State approval, but through the State Education Authority rather than the Interagency Committee and the Board of Public Works. Thus it is the application of State authority that has changed rather than its statutory extent and it is the manner in which State control is applied rather than the extent of control that is reflected in most of the complaints. There are, of course, additional restraints resulting from the obligation to operate within State appropriations and the necessity for State established priorities to stay within these limitations.

(2) Has State assumption retarded the construction program? - From a view of the program after two years of operation, there is indication that the pace of construction has been slowed down to some extent. It would seem that a factual basis could be established for such conclusion by comparing various data for the years prior and subsequent to the effective date of the act, viz: bonds authorized annually, bonds issued annually, value of contracts signed each year, or annual cash disbursements. However, for the two first mentioned categories no pre-assumption data are available, and for the remaining categories, the available data have serious limitations. These are the data for the last two categories:

	Value of Contracts Let	Cash Disbursements for Construction
1968	$102,400,000	$106,000,000
1969	157,900,000	129,600,000
1970	157,700,000	140,100,000
1971	110,300,000 (1)	152,200,000
1972	131,300,000	139,600,000
1973	131,700,000	Not available

The figures for the years 1968 through 1971 relate to the old program and those for 1972 and 1973 reflect experience under the new program. On the basis of this comparison, the Department's Division of Budget Review, in a separate study, concluded that there had been a slowdown in the rate of construction. It should be noted, however, that another group had previously decided that the same figures for "value of contracts let" indicated a possible decline in annual construction needs (see page 31). On the other hand, the volume of construction requests since 1971 make this assumption questionable. Taken together, the two sets of figures listed above do support the conclusion that there has been a slowdown as a result of State assumption.

Such initial slowdown is not at all surprising, and the causes are reflected in the various concerns and complaints presented earlier in this chapter. Time available to implement the program was very limited; it took two years to develop reasonably adequate administrative procedures and guidelines; procedural delays were unavoidable; the respective roles of State and local authorities had to evolve rather than be pronounced; and, due to the involvement of new agencies, all processes of approval were inescapably stretched out.

All of the complaints registered, to varying degrees, appear to have some basis in fact. On the other hand, considerable progress toward reducing such causes for delay seems to have been achieved. A very considerable number of complaints registered by superintendents in the MABE survey of August, 1972, (see page 65) related to delays. However, their responses to questionnaires a year later suggest a reduced degree of concern in this area. As related previously, the meetings of the Lee panel in the Spring of 1973 apparently resulted in mutual understandings and agreements and made possible a better working relationship. As expressed by one superintendent in his reply to the June, 1973, survey, "We did have many problems of working relationships during the first year or so of the program; however, as a result of the committee set up

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(1) Data do not represent value of contracts let for full year.

by Lieutenant Governor Blair Lee and Mr. Fred Spigler, most of our problems have been resolved." Interestingly, this statement was made by the superintendent who expressed the greatest disenchantment with the program six months earlier at the first meeting of the Lee panel. Various other superintendents expressed similar reactions.

The development and publication of a more adequate set of administrative procedures and guidelines by the Fall of 1973 has done much to defuse this issue. Of particular import was the establishment of a Superintendents' Committee to review proposed guidelines and provide a channel for input from all subdivisions.

While it has been concluded that there may have been some initial construction slowdown as a result of State assumption, from the size of the bond authorizations ($150 million in 1972; $300 million in 1973; and $200 million in 1974), and the number of projects authorized (234 in 1972; 481 in 1973; and 199 in 1974), and the number of planning projects authorized (83 in 1972; 154 in 1973; and 93 in 1974), this situation will clearly be reversed in future years. Finally, it must be understood that the discussion here has related to overall program retardation. For a considerable number of subdivisions, especially small counties, construction has been speeded up. In a number of instances, projects which could not be gotten off the ground due o local differences or lack of funds are now proceeding apace.

(3) Has State assumption increased costs? - There is little information at hand to throw light upon this issue. Opinions expressed vary greatly. It is claimed by some that delays have increased costs materially - that presently each year's delay of a project will increase its cost as much as 12%. There is basis for such assumption. On the other hand, it is argued that a major cause of delay has been inadequate local planning and that the improved local planning now required will result in an extended useful life of facilities and, in the long run will result in savings. Again, it is argued by some that higher and more rigid construction standards raise prices, while others present the view that reduced maintenance costs will more than offset any such increase. Strict and unrealistic adherence to a variety of local and State codes is held to be responsible for unnecessary expenditures. The contrary argument is that such initial adherence will avoid subsequent corrective action at a much higher cost.

Architects, as a group, have not found this to be a matter of great concern. Four did not react to the question at all; three expressed the belief that the application of prevailing wage rates would have an impact on costs in some area; five could detect little or no change in construction costs; three noted the cost effects of initial delays; and one mentioned the code requirement problem.

The responses of contractors reflected their affiliation with union or non-union organizations. Without exception, the relatively small number of union contractors responding reported no adverse cost effects. The non-union contractors, on the other hand, almost unanimously protested the cost increasing effects of the prevailing wage law. These additional cost increasing items were also listed: use of 60-day instead of 30-day contract award periods; increase in bureaucratic costs; and the cost effects of delays.

From the discussion of the preceding issue, to whatever extent the charge of increased cost resulting from delays is valid, it would seem that the problem is well on its way to solution. With respect to the fears expressed that the application of higher and more uniform construction standards will result in unnecessary cost increase, at least an equal number of individuals believe cost savings will result in the end. Regardless of the cost implications of code requirements, there appears to be need for State leadership in the development of more uniform requirements.

The prevailing wage issue is rather complicated. In 1969 Maryland had enacted a law establishing a prevailing scale of wages for public works construction projects in excess of $500,000. The law is applicable to all State projects and to projects that are wholly funded by the State. Local governments may make the prevailing wage law applicable to local projects. Baltimore City has had a local prevailing wage law since 1945 and prevailing wages have been mandated in Prince George's County since 1969. Under the law the wage rates are determined by the Commissioner of Labor and Industry based upon experience in an area or, if there has not been sufficient construction in an area to establish a rate, experience from the nearest area is used.

Initially, many people thought that school construction funded by the State would not be covered by the law since local governments pay the cost of sites and off-site improvements. In 1972, however, the State's Attorney General ruled that such projects were covered by the law; and his opinion was subsequently upheld in the courts.

There seems to be little doubt that the effect of this law has increased the cost of school construction to some extent, varying upon location in the State. There has been no definitive study of the cost effects, but testimony before the Senate Finance Committee showed differences ranging from zero to 11%. Some cost impact must be assumed, and it must also be assumed that the State Legislature took this into account when making this policy decision.

(4) Should the scope of State funding of school construction be extended? - The law as enacted in 1971 required the State to pay the cost of all school construction projects and specifically excluded the costs of acquiring land. All such costs, of course, were to be as approved by the Board of Public Works. The Rules and Regulations adopted by this Board on June 29, 1971, (see pages 44 to 48) spelled out in greater detail what the State would and would not pay for. Additional specific exclusions were local plan development; off-site development; relocation of former occupants of sites; constructing or remodeling stadia; lighting systems for outdoor athletic fields; fine art embellishment mandated by local requirements; and improvements designed specifically for civil defense or other non-educational use.

Other costs which the rules listed as eligible for State funding lacked sufficient definition to avoid controversy. For example, remodeling or renovation was to be fundable if it extended the useful life of a facility and did not constitute mere repair. The rules did not say by how much the life must be extended, nor did it attempt to make the distinction between "renovation" and "mere repair or maintenance." As another illustration, the "reasonable costs of initial capital equipment and furnishings necessary for placing a building in operation" were declared to be eligible. There was no definition of "reasonable cost" or "necessary for placing a building in operation."

This central issue is one of those about which local officials expressed greatest dissatisfaction. In particular, they felt that more equipment should be included in the eligible list, that the definition of projects eligible as remodeling should be broadened, that off-site improvements should qualify, and that the exclusion of site costs creates an inequity. Virtually every exclusion was the subject of objection by someone. The question of eligibility of equipment has been especially difficult to resolve. The State committed itself to pay for the reasonable cost of that which is necessary to place a building in operation. The school districts have different beliefs regarding what is necessary.

To date, the solution has been the development of a negotiated list of eligible equipment. For items other than instructional equipment, a 15-year life rule is being applied under the theory that bond funds should not be used for purchases used up before the bonds are repaid. Such rule, of course, results in such situations as State payment for typewriters used in a classroom and ineligibility for the same item to be used in an administrative office. The general tendency of the State is toward exclusion of most noninstructional equipment; and, of course, the local governments would like all to be eligible. Continued negotiation with an ever-expanding list is in prospect

More definitive guidelines issued recently with respect to remodeling should reduce controversy in this area.

These questions would seem to require more attention from responsible State authorities:

a. Is the inequity that clearly results from requiring local governments to pay the full cost of sites sufficiently serious to require correction through partial or full funding or through other devices to equalize such costs?

b. By requiring local governments to be responsible for such items as site purchases, off-site improvements, ineligible equipment, etc., the State may be using a very unrealistic and inequitable method of allocating to them an overall share of total costs. This may be resulting in a local share, statewide, of approximately 10%; but the individual local contributions may vary greatly. Should a mandatory percentage of total approved costs be considered?

c. Presently local governments may assume responsibility for inspection of construction at their own expense or the State will assume the responsibility of its expense. Should the State assume both the task and the cost everywhere?

(5) How can adequate maintenance of facilities be assured? - Understandably, this has been a matter of continuing concern on the part of members of the State agencies involved. During the personal interviews, all members of the Board of Public Works and the Interagency Committee cited this as a serious problem. Predictably, it does not appear among the issues raised by L.E.A. representatives except in reaction to proposed State solutions. The issue is simply this: Can the State responsibly assume the cost of constructing school facilities without reasonable assurance that local authorities will not allow them to deteriorate thus further increasing the cost to the State? This is a proper State concern, for the conventional wisdom holds that whenever local school systems encounter budgetary limitations, appropriations for the maintenance of buildings are the first to be reduced.

As mentioned earlier, the Interagency Committee, on November 9, 1972, proposed a set of guidelines designed to guarantee adequate maintenance. In effect, they proposed a requirement of an annual local levy for facilities maintenance equal to 2½% of the replacement value of all buildings. These guidelines were forwarded to the local superintendents on December 21 for reaction. The response was prompt and almost universally negative. It was pointed out that such requirement could increase local tax rates by as much as 52¢ per $100 of assessment.

The proposal was not finally adopted by the Board of Public Works. Instead, they approved as a temporary measure the requirement as presently set forth in the guidelines, that the local education agency shall develop an annual comprehensive maintenance program and submit it to the local governing body for its consideration; the local governing bodies shall review the proposed program and provide adequate funds for implementation; and this program will be reviewed by the Interagency Committee before the annual School Facilities request is approved.

In a further effort to achieve a long-range solution, the I.A.C. in May, 1973, instituted a comprehensive maintenance survey of every school in the State with substantial funding for consultant services. It is anticipated that this will produce a realistic picture of current and projected maintenance needs for every school in every subdivision. Based upon such information, the State should be in a position to develop acceptable mandatory maintenance schedules tailored to the needs and financial capabilities of each subdivision.

(6) What is the extent of the financial obligation the State has assumed and what impact will it have upon State debt? - In response to an interview question regarding what should have been done differently from the vantage of hindsight, the Governor's first response was: "We should have known what the needs were before starting." By any yardstick, the information regarding financial impact available to the Governor and the Legislature was minimal when the program was enacted. That which was available has been largely set forth in Chapter III. No projection of further statewide construction needs had been made; and, in fact, no inventory of existing facilities was at hand. All that was known was the rate at which local governments had been constructing schools in past years as measured by annual amounts of contracts signed for school construction. For the most recent four years, these amounts had ranged from $102,000,000 to $158,000,000, and appeared to reveal the beginning of a decline. From this meager basis it was concluded that new construction would cost the State an average of about $100,000,000 per year, in terms of new debt to be created.

Actual appropriation (bonds authorized) for the first three years would seem to suggest that the above cost assumption was seriously understated. These appropriations were: 1972 - $150,000,000; 1973 - $300,000,000; 1974 - $220,000,000. On the other hand, actual issues have amounted to: 1972 - $90,300,000; 1973 - $73,000,000; 1974 - $142,000,000 (est.). It was not surprising, or unanticipated, that requirements for the initial year would be much higher; but it was expected that they would level off to the average stated above. Recent projections suggest $150,000,000 to be a more realistic figure for the first eight to ten years, with a leveling off thereafter to roughly the $100,000,000 level. Clearly the State had to act upon insufficient information and it seems that the "guesstimates" resulted in a substantial understatement of the obligation assumed.

The State currently requires the subdivisions to submit a five-year plan along with their annual project requests and this provides a rational basis for short-range cost projections. As mentioned on page 54 of Chapter V, the total cost of project requests through fiscal year 1979, including unfunded projects deferred from 1974, will amount to $1,450,000,000. This amount added to funds allocated in 1972, 1973, and 1974, brings the total commitment to more than $2 billion through 1979. It seems unlikely that the I.A.C. has yet reached the point of being able to fully evaluate the complete five-year plans and equally unlikely that all subdivisions have yet developed the competence to prepare reliable programs of such scope. Nonetheless, a firm basis for relatively short-term need projection is in sight. Appropriate long-term projections are still to be undertaken. The maintenance survey, described earlier, should provide essential information for the planning and cost projection processes.

With regard to impact upon State debt, the findings of the study undertaken by the Division of Budget Review of the Department of Fiscal Services are most revealing. These findings are set forth in Table VII on page 85.

This study projects the State debt to be created for school construction, as well as other State general obligation debt (excluding dedicated fund debt such as that of the Department of Transportation).through the year 1988, or 15 years into the future. In addition to the $670,000,000 already authorized for school construction, it is assumed that the State will need to finance projects amounting to nearly $1,500,000,000 over the next ten years in order to take care of known needs. Thus we will be appropriating an average of roughly $150,000,000 per year for ten years, in declining amounts from present levels to about $100,000,000 per year. Thereafter, it has been assumed that appropriations of $100,000,000 per year will maintain the program. Further, it has been assumed that requests will be denied to about the same extent as in the first three years.

The study also makes these projections based upon the possibility that presently known construction needs will be met within six years rather than ten. We are quoting here the results of the lower cost assumption basis because we deem them to be more realistic. The higher cost figures are not, in our judgment, significantly greater.

From the data in Table VII, it is seen in Column 1 that annual outstanding State debt for school construction is expected to rise from $511 million to a high of $1,223 million by 1981 and then decline to slightly less than $1,000 million by 1988. Total State debt is expected to increase steadily from $1,303 million to $3,688 million by 1988. As absolute dollar amounts these figures could be alarming. When converted to per capita amounts, however, and particularly when shown in relation to per capita income as a measure of ability to repay debt, the figures are not frightening. School debt service does show an increase to a high of three and one-third times the 1972 level; total debt service will increase four and one-half times; and total debt, both for schools and all purposes will at some point be twice the 1972 levels. On the other hand, Columns 7 through 10 indicate that for both debt and debt service, the per capita amounts as a percentage of personal income remain relatively stable. In terms of income to support debt, then, the burden will not change considerably over the entire period. Further, it should not be forgotten that while the State's debt will be considerably greater due to the assumption of school construction costs, this additional debt merely represents a shift from one level of government to another. The total debt for both levels of government should remain relatively unchanged.

The Division of Budget Review study suggests that, in view of the expected substantial increase in its debt, the State may find it advantageous to reexamine its present practice relating to pay-as-you-go financing and the constitutional limitation of 15 years for State debt. As revealed in Column 3, the annual school debt service costs will have reached $214 million per year, at a time when construction requirements will only be about $100 million per year. Local bonds which have generally been issued on a twenty or twenty-five year basis are being replaced by 15-year State bonds. It is possible that such volume of short-term bonds may effect the marketability of State issues. Attention is particularly directed to the analysis of these matters as developed in the study.

TABLE VII

Impact of Program on State Debt (2)

Fiscal Year	Outstanding Debt (3) School	Outstanding Debt (3) Total	Annual Debt Service (3) School	Annual Debt Service (3) Total	Annual Per Capita Debt School	Annual Per Capita Debt Total	Per Capita Debt As % of Per Capita Income School	Per Capita Debt As % of Per Capita Income Total	Per Capita Debt Service As % of Per Capita Income School	Per Capita Debt Service As % of Per Capita Income Total
1972	$ 517.0	$1,302.9	$ 65.3	$126.6	$127.51	$321.34	2.59%	6.55%	0.32%	0.63%
1973	557.3	1,412.7	72.4	146.6	135.20	342.69	2.57	6.52	0.33	0.67
1974	658.9	1,576.7	84.1	165.2	157.23	376.20	2.80	6.69	0.35	0.70
1975	798.5	1,784.6	93.6	201.4	187.38	418.82	3.11	6.97	0.36	0.78
1976	919.6	1,975.7	109.0	228.2	212.27	456.04	3.30	7.09	0.39	0.81
1977	1,014.5	2,140.4	124.7	257.8	230.33	485.95	3.31	7.06	0.41	0.85
1978	1,104.6	2,306.9	139.9	287.7	246.66	515.16	3.35	6.99	0.42	0.87
1979	1,169.7	2,455.3	150.9	316.9	256.91	539.28	3.26	6.84	0.42	0.88
1980	1,206.7	2,585.8	162.3	347.3	260.69	558.62	3.09	6.62	0.41	0.89
1981	1,222.8	2,708.3	172.8	375.4	260.37	576.67	2.88	6.39	0.40	0.88
1982	1,221.3	2,826.2	180.6	404.5	256.31	593.11	2.65	6.14	0.39	0.88
1983	1,205.3	2,948.7	189.3	430.8	249.31	609.91	2.41	5.90	0.37	0.86
1984	1,178.9	3,076.8	197.5	462.3	240.34	627.25	2.17	5.67	0.36	0.85
1985	1,139.7	3,210.2	205.4	493.3	228.99	645.02	1.93	5.45	0.34	0.83
1986	1,087.3	3,343.5	214.1	534.0	215.33	662.14	1.70	5.23	0.33	0.83
1987	1,033.3	3,495.4	211.3	560.4	201.69	682.26	1.49	5.04	0.30	0.80
1988	976.8	3,687.5	210.1	570.4	187.92	709.40	1.29	4.89	0.27	0.75

(2) Assumes that five-year needs will be authorized over a ten-year period at 95% of requests and that 90% of this amount will result in actual bond issues. For the remaining years, $100 million will be authorized annually for maintenance of the program. All outstanding assumed local school debt is included. 5% interest and fifteen-year repayment on level debt service method are assumed throughout.

(3) Millions of dollars.

(7) Is there danger of politization of the process? - The inclusion of this question as one of the cental issues may be difficult to justify in view of the fact that from all of the questionnaire responses received, there was but a single reference to the matter. Only one individual, a contractor, stated that there was "indication of increasing political activity in the selection of consultants." The only other expressions of concern over possible undesirable political intrusion that have come to our attention were those expressed by legislators in the discussions preceding enactment of the law. On the other hand, it is possible that such fears may tend to be unstated because "no one wishes to throw the first stone." In any event, the potential for political abuse is so patent as to warrant some examination.

Political activity of this nature might be expected to arise at a number of points in the school construction process, viz: the appointment of architects, the selection of sites, the approval of specific projects, the allocation of funds by subdivisions, the award of contracts, the approval of change orders, etc. The only real effort to investigate such involvement of politics was through questions directed to State officials in the interviews. The answers had the "ring" of complete candor and reflected, generally, the belief that there had been no real abuse. With respect to the acquisition of sites, it is significant that this activity was left, by law, in the hands of the subdivisions; and it was indicated that political considerations were a principal factor in that decision. The selection and appointment of architects has also, by rule, been left to local authorities. It was conceded by one official that, in the exercise of the approval function, an effort was made to discourage employment of out-of-state architects. The impropriety of such action is debatable and the practice is certainly not uncommon. Similarly, local school authorities still retain the power to award contracts, make payments to contractors, and approve change orders. All of these local actions are, of course, subject to State approval. However, they always were subject to such approval, but through the State education agency rather than through the Board of Public Works and the Interagency Committee.

With the change in source of funds, it might well be expected that the "approval of individual projects" and "the allocation of funds" would be prime political pressure points. It would not be surprising if a Senator or Delegate were to call upon a State official in an attempt to exert influence upon the decision of whether a particular project should be approved or denied. In fact, it would be more surprising if this did not occur, especially since such action may be entirely legitimate. However, no one could recall a single incident of this nature up to this point. It was pointed out in Chapter V that, early in the program because of dissatisfaction with the amount of the allocations received by a number of subdivisions, delegations descended upon individual State officials and upon the State agencies demanding increased approvals and allocations, and these efforts resulted in additional allocations. With respect to this, several State officials commented that the decisions reversed were probably in error in the first place. This is entirely possible in view of the very limited time and information available to the I.A.C. for making the 1972 allocations. Again, such intervention can be viewed as a proper exercise of local responsibilities rather than exertion of political pressure. The establishment of an adequate appeals procedure may have virtually eliminated even the appearance of impropriety in this connection.

In the operation of the program, to date, we have found no significant evidence of political abuse. This is not to say that the potential does not exist and that problems may not arise in the future. However, recent highly publicized national and State investigations may substantially reduce the likelihood of such occurrence.

In any event, we know of no studies which have found the practice of politics to be more pernicious in State governments than in local governments, including school systems.

(8) Can State and local roles be satisfactorily defined? - Running throughout the various survey responses are comments which reflect the lack of adequate clarification of the respective roles of State and local authorities. While this may be related to the autonomy issue discussed earlier, it seems that, apart from the question of who should hold what authority, there is need for all to understand what authority each does have.

These are typical of the comments referred to: "Policies and procedures--are in conflict with the stated objective of allowing local education agencies to make their own decisions"; "Planning department people have set themselves up as guardians of the budget and seem to be completely unreasonable about what is needed in a school--"; "There seems to exist a degree of lack of coordination between the three agencies that comprise the Public School Construction Program (I.A.C.)---Quite often we find ourselves caught in the middle of a triangle between these three agencies, being told different things by different people, depending upon the agency they represent." The issue seems to arise, largely, around decisions relating to determination of educational requirements and priorities of needs.

Suggestions for improvement include allowing local authorities to act without approval as long as they operate within allocations; strengthening the decision-making authority of the I.A.C. Executive Director within that agency; definition of the roles of each arm of the I.A.C., so that one will not veto the actions of another; etc.

A problem of clear definition of authority and responsibility does exist. The lack of adequate start-up time made it inevitable and it has been aggravated by the tri-partite nature of the Interagency Committee. However, the situation is clearly improving as a result of the development of more complete guidelines, improved communication through such efforts as the establishment of the Lee panel, and the formal involvement of the local school administrators in drawing up the guidelines. The issue holds implications for the evolving nature of the State administrative agency and there will be continuing need for a sharper delineation of responsibility.

(9) Has State assumption resulted in an uneven treatment of subdivisions? - It is difficult to take exception to the principle that "whenever the State assumes responsibility for a function of government and taxes people throughout the State to provide services throughout the State, it should send the available money where the needs are and in order of priority of need." Political reality frequently requires that such principle be compromised. The expectation that funds will be returned to their source is not uncommon or beyond understanding. Further, weight is added to the justification of such expectation when State allocations are insufficient to allow school construction in a subdivision to proceed at the same rate as when locally financed.

Actually, as recounted in Chapter V, the State agencies appear to have been unusually successful in adhering to that principle, even in the hectic first year. Honest efforts are being made to allocate funds strictly on the basis of need and in order of priority. On the other hand, there is indication that the agencies have been conscious of the need for "judicious balance" in allocations and that they were not totally unaware of the source of revenues.

Dissatisfaction on this score has been limited to about a fourth of the subdivisions, mainly the more affluent. The smaller subdivisions generally were pleased, and even enthusiastic, about their allocations. The issue was expressed by one county official in these terms: "We have a problem with equitability of the program---. _____ County residents with 18% of the State's wealth will be paying 18% of the bill for this program. However, the county's share of this program is only something over 9%."

The issue is not of widespread concern; it will always be present but the sources of discontent will shift as needs shift. If the extent of compromise can be held to present limits, the effectiveness of the program will not be impaired.

(10) Has the program resulted in unrealistic local demands? - Concerns of this nature were expressed by a number of State officials who stated that planning in many instances was inadequate, that needs were overstated, that there were no local incentives to reduce requests, and that the subdivisions often felt the need to have certain facilities simply because other jurisdictions had them. Interestingly, similar complaints were voiced by the local government officials of several subdivisions. One such official expressed these pithy opinions: "It would seem that in some instances 'needs' are being invented to take advantage of the State's new construction program--"; "School Boards and Superintendents of Schools (once they sell a program) can literally put local elected officials over the barrel when it comes to the provision of money for maintenance, equipment and many hidden and oft times unexpected costs"; "You can believe our Superintendent is getting everything that's coming to him"; "The Interagency Committee on School Construction - or maybe the Legislature - should provide some built-in guarantee that the County Commissioners (who are elected to represent the people) have more authority in the matter of school construction, particularly as it relates to the 'shopping' for architects and equipment for which the county pays."

A problem undoubtedly exists and it would be naive not to expect it to persist. It seems inevitable that local educational aspirations will be greater when local school authorities no longer are required to convince a local fiscal authority of the need for facilities or bear a direct responsibility for increases in local tax burdens. Better local planning may, as suggested by one State official, improve this situation. On the other hand, it is possible that improved planning, desirable though it must be, can result in increased needs. Someone has surely propounded a law which states: "The more planning you have, the greater governmental expenditures will be."

Perhaps the apparently irate County Commissioner holds a small key. The State may wish to give thought to the desirability of greater involvement in the process on the part of the general local government bodies.

In the final analysis, however, if the problem exists, the State administrative agencies hold the real solution, viz: the sharpening of the project evaluation process. The Legislature, of course, has at hand the ultimate tool, if needed - the limitation of annual appropriations.

What the Program Has Achieved

From the experience of two full years of operation under the program, Maryland's Local Education Authorities have judged it to be highly successful. School officials from twenty-three of the twenty-four subdivisions responded to a request for their overall evaluation. The reactions of seventeen officials can be described as "strongly supportive", and those of the other six might be characterized by the term "acceptance without enthusiasm". In general, the first and larger group includes the smaller subdivisions and those with less wealth, and the second group includes the larger and wealthier units.

The responses of the majority are typified by such statements as these: "This county's building program is far advanced to what it would have been with the previous system of State and local effort"; "A program of this scope would not have been possible if the projects depended upon local funding". This is the theme that runs throughout the responses of these school officials. Almost all believe they are obtaining or will obtain more adequate school facilities under full State funding.

The responses of the other six local school authorities follow no such clear pattern. Their general tone, however, may be reflected in these excerpts from the reply of one superintendent: "I do not think that the school buildings now being constructed are any better, nor are they less expensive, and they certainly take longer to plan and construct.---I suspect that some subdivisions in the State are getting more and better schools than ever before. To this extent I am sure the program is a great success.---I guess I should say that we are not overly enthusiastic about the program, but we feel it is functioning as well as can be expected." All seem to agree that from an overall State standpoint, the program has merit.

Other specific pluses mentioned by local school authorities include:

1. The cost of providing school facilities is borne equitably throughout the State - a big plus both in fair distribution of cost and equality of school facilities.

2. Money can be made available for emergencies.

3. More statewide emphasis is being put on long-range planning.

4. Technical assistance is available at the State level, which is especially valuable to small school systems.

Overall, local general government officials also consider the program to be operating successfully and to the benefit of the subdivisions. While several are severely critical of such aspects as administrative procedures, allocations

of funds, etc., none suggest that the State funding should not have been undertaken or should be discontinued. As might be expected, the comments of these officials placed emphasis upon the program's impact upon local finances. Such statements as these appeared frequently: "This program plus Federal Revenue Sharing has enabled us to decrease the tax rate on real property"; "The county has been able to utilize money which would have been used for debt service--in other fields such as roads, parks, watersheds, etc."; "With the assumption of a large portion of school construction costs by the State, the county's financial position has been strengthened".

It is not possible to determine the extent to which increased State aid from the program has actually been used to reduce local property taxes. The first fiscal year in which this really could have occurred would have been 1972-73. The published rates for that year were decreased below the 1971-72 rates in only four subdivisions. However, for the 1973-74 fiscal year, the rates were reduced by eighteen of the twenty-four local governments in amounts ranging from 4¢ to 56¢ per $100 of assessment. This result, undoubtedly, reflects a combination of factors - Federal Revenue Sharing funds, sharp increases in assessments, and increased school construction aid.

The samplings of opinion from architects and contractors cannot be said to express any strong feeling one way or another with regard to the overall success of the program, except in the case of non-union contractors. As previously noted, objection to the application of prevailing wages reflected itself in a general attitude of recognizing no advantages from State funding. For all others, the appraisal would be that "it has made little difference" from their standpoint. Disadvantages were noted, as listed earlier in this chapter. About half of the architects noted advantages, conceding that planning had been improved as a result of greater State involvement.

Those individuals interviewed (State officials responsible for the program) believe that:

1. Strides are being made toward providing equal educational facilities throughout the State.

2. Generally, better facilities are being made available, faster.

3. In many subdivisions, facilities are being constructed that would never have been possible under the former level of State funding.

4. Local financial positions have been improved without endangering the State's position.

5. Local planning, both short and long range have been greatly improved.

6. Technical assistance has been made available to local school districts which is especially helpful to the smaller units.

7. There has been greater involvement of citizenry in planning process.

8. The State will be able to better assure multiple use and year-round use of facilities.

9. Better and more uniform standards of construction and maintenance are being or will be applied, and in the long run costs will be less.

10. The principle of equalization is being applied - the resources of the entire State are being used to provide facilities wherever the needs exist.

The foregoing list of achievements attributed to the program by State officials may fairly serve as a summary of the reactions of all from whom opinions were sought. There are, of course, differing views and an effort has been made to reveal all of these and the magnitude of each. Nonetheless, it is concluded that these statements have the concurrence of a substantial majority of the people connected with the program in Maryland.

Impact of Program Upon Equalization of Educational Opportunity

An accurate assessment of the impact of this program upon the equalization of educational opportunity for all children in Maryland cannot be made, at least presently. Idealistically, equality of opportunity would mean that the true needs of every child would be met with equal tax effort throughout the State. No state has yet succeeded in identifying the true needs of every child and much less have they been able to determine the cost of meeting those needs. Lacking these determinations, there has been a tendency to measure equal opportunity in terms of equal expenditures per child. Even accepting this measure, fallacious though it must be, we are unable now to factually demonstrate whether this program has or has not reduced disparities between subdivisions in the degree to which needs are being met, or in abilities to meet those needs. It is simply too early to assemble reliable comparable data for experiences prior and subsequent to the full State assumption of construction costs.

It seems likely that in the long run State assumption of such a significant portion of the overall cost of education will tend to reduce disparities. It should be pointed out, however, that such result does not necessarily follow. Assume a situation in which a wealthy subdivision has relatively great construction needs as opposed to a poor subdivision with smaller requirements for facilities. In such case the State's action in relieving both of the burden of providing facilities would make it possible for the gap in expenditures for operating costs to be widened without increased effort on the part of the wealthier unit. Maryland has experienced situations such as this in the first years of the program, and it must be expected that the condition will recur as the burden of facilities needs inevitably shifts. Uncertainty with regard to immediate equalizing effects has already been demonstrated by the data presented in Table IV on page 53. The last three columns reveal no clear relationship between the allocation of funds and size of enrollment, or relative wealth.

Lacking ability to meaningfully demonstrate the equalizing effect of the program, it may be useful to present a total picture of the financing of Maryland's public schools as it is projected for the 1973-74 school year. The chart and table which appear on the following pages represent an effort to accomplish this. The vertical bars on the right side of the chart reveal the

portions of the total education enterprise for which the approach to financing has been full State funding. The horizontal bars on the left represent the portion of the total for which the approach has been cost sharing. The data included in the accompanying table are simply those from which the chart has been constructed.

Before proceeding with an analysis of this material, it should be pointed out that the use of the basic data will be debatable. The figures included for school construction appropriations represent the amount of the bonds authorized for 1974. This will be the amount allocated by the State in 1974, but it will not be the amount paid out to the subdivisions. Furthermore, the State's actual expenditure from current revenues in 1974 will be but a fraction of this amount. We have opted to use the allocation figure simply because we believe it represents more accurately the State's share of the total program as it will be reflected in future years.

Turning back to the chart, this is what it reveals:

1. The State is paying 49% of the total cost of elementary and secondary education.

2. For about one-third of the total enterprise the State's approach to financing is full State funding (Transportation, Retirement and Social Security payments, and School Construction). (4)

3. For the other two-thirds, the approach is through cost sharing, with 20% of expenditures unequalized. (4)

4. Of the total anticipated expenditure of $1.4 billion, these amounts will be unequalized:

- For Basic Current Expenses	-	$277,000,000	19.8%
- For Transportation	-	3,000,000	0.2%
- For School Construction	-	35,000,000	2.5%

With 4/5 of the total package either fully State funded or equalized, and only 1/5 for which the expenditures of the subdivisions will be affected by relative wealth, it would seem that the State has moved far toward reducing disparities. On the other hand, it must be observed that this 1/5 segment will result in per pupil current expenditures by the subdivisions ranging from a low of $610 per pupil to a high of approximately $1,200. Regardless of the probable unreliability of equal per pupil expenditures as a measure of equal opportunity, it is scarcely believable that such range can permit reasonably equal opportunity.

Here may be the Achilles heel in Maryland's system of funding education. The expenditures which have the greatest effect upon equal opportunity are most likely those made for operating costs, and the present level of expenditure equalized for this purpose ($610 per pupil) is not sufficient to maintain an acceptable range. In the final analysis the construction funding program must be judged in relationship to the total system of school finance. If the State does not move to further equalize current expenditures, a question may well be raised in the future as to whether the children of Maryland might have been better served by channeling the money committed to school construction into operating costs.

(4) State aid for handicapped children is depicted on the chart as a partially fully-funded and partially shared cost program. The State has been moving toward full funding in this area and may be about to place the entire program on an equalized basis.

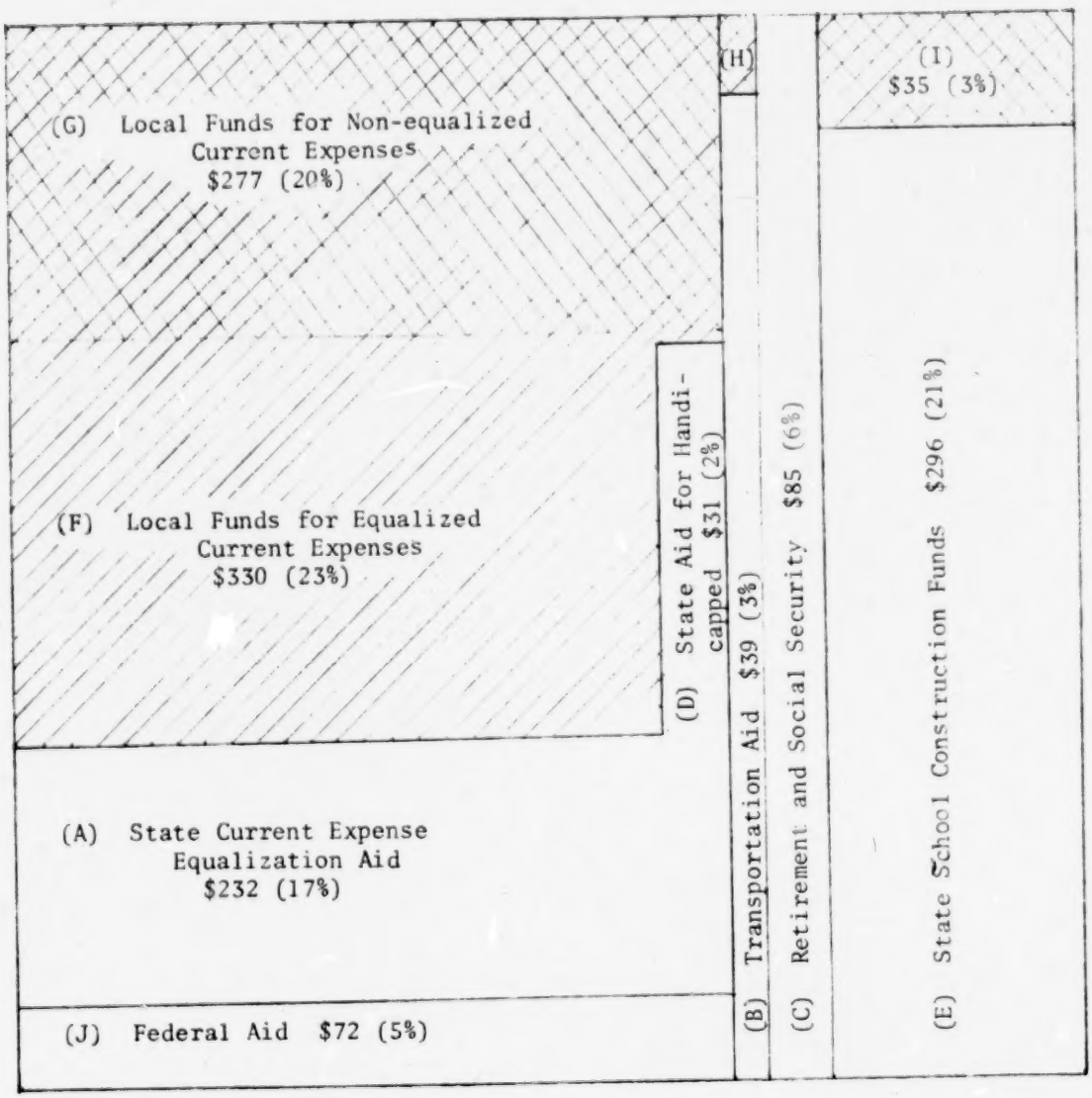
CHART C

The Financing of Public Elementary and Secondary Education in Maryland

1974 School Year

A Graphic View

A 1.4 Billion Dollar Program


(H)
(I)
$35 (3%)
(G) Local Funds for Non-equalized Current Expenses
$277 (20%)
(D) State Aid for Handicapped $31 (2%)
(F) Local Funds for Equalized Current Expenses
$330 (23%)
(A) State Current Expense Equalization Aid
$232 (17%)
(B) Transportation Aid $39 (3%)
(C) Retirement and Social Security $85 (6%)
(E) State School Construction Funds $296 (21%)
(J) Federal Aid $72 (5%)

LEGEND:

State and Federal Funds

Local Funds Equalized

Local Funds Unequalized

$ = Millions of Dollars

TABLE VIII

The Financing of Public Elementary and Secondary Education in Maryland

1974 Appropriations

(By Purpose and Source)

		Appropriation	% of Total
(A)	State Current Expense Equalization Aid	$232,000,000	17
(B)	State Aid for Transportation	39,000,000	3
(C)	State Payments for Retirement and Social Security	85,000,000	6
(D)	State Aid for Handicapped Children	31,000,000	2
(E)	State Appropriation for School Construction	296,000,000	21
	Total State Appropriations	$683,000,000	49
(F)	Local Appropriations for Equalized Current Expenses (Excluding Transportation)	$330,000,000	23
(G)	Local Appropriations for Nonequalized Current Expenses	277,000,000	20
(H)	Local Appropriations for Transportation	3,000,000	0
(I)	Local Appropriations for School Construction	35,000,000	3
	Total Local Appropriations	$645,000,000	46
(J)	Estimated Federal Aid	72,000,000 *	5
	Grand Total - 1974 Appropriations	$1,400,000,000	100

* Includes Impact Aid

Concluding Statement

Maryland launched its program of full State funding of school construction costs under a number of apparent handicaps, any one of which could have been sufficiently serious to assure its failure. The information available with respect to facilities needs and costs was less than adequate for a decision of such magnitude; the start-up time was much too short for proper development of essential guidelines and procedures; and the agency established to administer the program (the Interagency Committee consisting of three co-equal heads of existing State departments) probably defies any rational management theory. Yet the program has succeeded beyond the expectations of most, and the seeming handicaps may have been advantages. For example, had the enactment of the program been postponed for a year to allow time to develop full information or to debate and agree upon the method and procedures for administering the program, it is possible (perhaps probable) that the measure would not have been enacted at all. It is possible that the compulsion of "operating under the gun" in the promulgation of guidelines and procedures is resulting in more acceptable and equitable decisions than might have been reached through long deliberations, especially with respect to the balance in control between State and local governments. Even the use of a tri-headed administrative agency may prove to have been a wise first step. It has assured maximum participation by each of the State agencies that should be involved (the Departments of Education, General Services, and Planning); differences that result in inefficiency seem to have been brought under control; and time has been allowed to determine through experience the ultimate disposition of authority.

There are other factors which have contributed to this achievement. There has been continued "paternalistic" executive oversight without which the program might well have foundered. For example, moves were made at the earliest possible moment to draw up preliminary guidelines, rules, and regulations for adoption by the Board of Public Works; and effective mechanisms for resolving differences were established in timely fashion. There seems to be a clear determination on the part of State officials, particularly the members of the Board of Public Works, to insure maximum participation by local governments, as underscored by the Legislature when enacting the law. Finally, the capabilities and personality of the Executive Director of the Interagency Committee appears to incorporate the unusual admixture of traits necessary for the administration of a program of such complexity.

It should not be inferred from the foregoing paragraphs that no problems have arisen. There have been a great number and these are detailed earlier in this report. Many have been resolved, others are on the way to resolution, and still others persist. Our purpose here has been to present a summary appraisal.

The May-June issue of Compact (5) includes an article by a Maryland County Superintendent of Schools in which he "encourages State and local school officials to work for full State funding of school construction in every state."

(5) Homer O. Elseroad. "Maryland Shows the Way - Montgomery County..", Compact. Education Commission of the States. May-June 1973.

Maryland's experience is indeed worthy of consideration by other states. We would suggest, however, that in such consideration attention be given to certain facts. First, as detailed in Chapter I, Maryland is somewhat unique in many respects. What will work in a small cohesive State with only twenty-four school districts may not work in a state with different characteristics. Second, if a state's goal is to move toward the "Serrano" principle which requires that - "the quality of public education may not be a function of wealth" - depending upon circumstances, State assumption of construction costs may not be an effective first move. With regard to the local autonomy issue which promptly rears its head at the mention of full State funding of anything, Maryland's experience should be reassuring. The consensus here seems to be as expressed by the same Superintendent quoted above: "The feared loss of control of the nature and character of educational facilities in planning new schools has not materialized."